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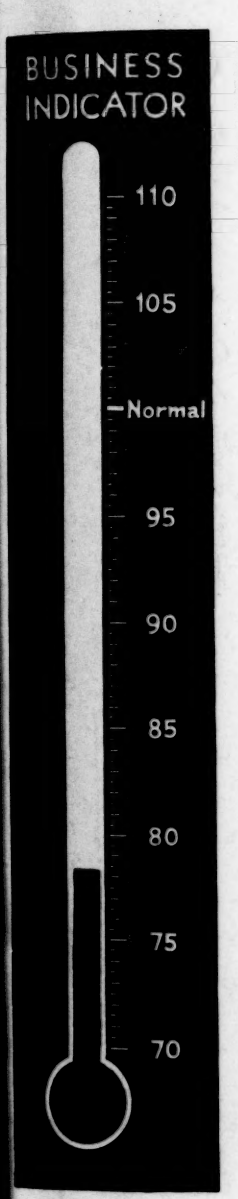
THE BUSINESS WEEK



The visibility is very low and does not increase as week by week we come nearer the veil that seems to shut off a clear view of 1931 prospects in business or in commodity and security markets. . . . A haze of uncertainty hangs over the efforts being made to stabilize commodity prices and to secure effective international financial cooperation toward restoring confidence in long-term investment. Steady vision is disturbed by the continued decline in indicators of business activity as we drift through the fag end of a poor year. . . . Our index dropped off further, from 79.5% to 78.2% of normal, though the declining tendency is not as uniform as it has been in recent weeks. Steel and building are not giving way to the usual year-end slump as rapidly as might be expected. Concerted resistance to further deflation of copper, iron and steel, wheat, and sugar prices is a justifiable experiment, but the outcome is doubtful. . . . Better buying of bonds by banks and apparent accumulation of cheap stocks by large interests are further hopeful signs of stabilization in financial markets, though Wall Street is not yet ready to discount 1931 business improvement. . . . Beyond the turn of the year all that can be seen with reasonable certainty is improvement in steel under increased railroad and automotive demand, and in automobile production as deferred buying power comes into the market with the new year sales appeal. . . . The holiday trade will test general purchasing power and in face of curtailed production during the rest of 1930 will probably provide the basis for general quickening of industrial activity early next year.

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What's In This Issue —And Why

Sherman Act

WASTEFUL competition, wasteful production, stir leaders of business in times like these to dreams of a happier world if certain irksome restrictions against combinations could be removed. But the Sherman Act still is law, and chances of modifying it seem remote. *(page 5)*

Commodities

UNCLE SAM buys wheat again, after swearing off; copper prices stay up; the raw commodity price structure, key to business conditions, looks better. *(page 7)*

Taxes

SHALL Uncle Sam raise taxes or shall he run a year or two "in the red"? The President favors one plan, the Treasury another. *(page 10)*

Razor-Keen

GILLETTE-AUTOSTROP merger puts Henry Jacques Gaisman in control; an inventor of a thousand things, he is nevertheless a keen executive. *(page 20)*

Disaster in Dixie

MOST important of failures since the stock market crash is that of Caldwell & Co., biggest investment house in the South, ramifying into scores of banks, fiscal agent for hundreds of counties, municipalities. *(page 8)*

Detroit Gas

NATURAL gas interests seek to invade Detroit, tap its enormous industrial market. But Detroit has a gas company; duplication of facilities is wasteful. The City Council considers an interesting solution. *(page 14)*

Savings

BANKS are going out aggressively after the thrift dollar, will talk plainly about competitors who have checked savings growth in the past two years *(page 11)*

Railroads

EASTERN rail executives will try in 7 definite ways to restore their shrinking revenues. *(page 15)*

Motor Strategy

AUTOMOBILE makers will try price cuts now to stimulate buying; real changes in models will be saved for next year. *(page 16)*

Management's Day

DEPARTMENT stores see net profits will depend as never before on close management. Swift changes in store practice are the rule. *(page 17)*

Sell Now

"BUY NOW" campaigns have helped business, but not nearly as much as the "Sell Now" drives of aggressive outfits. For example, the utilities, selling appliances. *(page 18)*

Unemployment

STILL sympathetic and cooperative in plans for relief, business men nevertheless are more deeply interested in plans for permanent prevention of unemployment. *(page 22)*

Obituary

DIED, in London, Empire Free Trade. Funeral in Ottawa next year. Born, a British campaign issue. *(page 29)*

Oil

OIL men leave the American Petroleum Institute sessions in cheerful frame of mind; foresee better conditions, better times. *(page 6)*

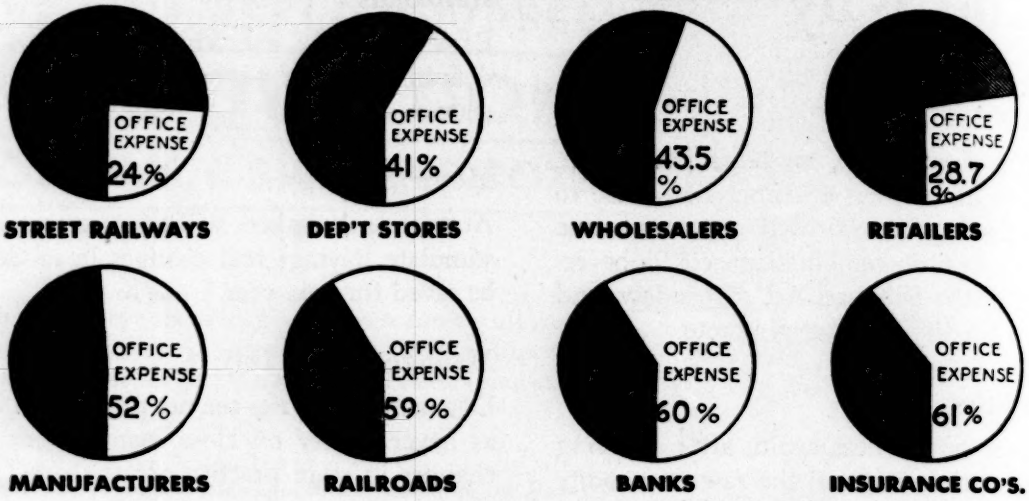
Sugar Sweetens

PASSAGE of the Cuban sugar law is a step toward stabilization of the industry. *(page 27)*

Group Insurance

EMPLOYEES are insuring workers under group plan; 61,000 families will receive $90 millions in benefits this year. *(page 11)*

RATIOS OF OFFICE EXPENSE TO GENERAL OVERHEAD IN MAJOR LINES OF BUSINESS



General Overhead, as nearly as it can be figured, taken as 100 percent. Office Expense includes salaries, general office expense and supplies, except office rent, light and heat. (Charts by courtesy of Hammermill Survey of Business Practice)

Is *your office overhead ratio*

TOP-HEAVY?

In periods of declining prices and profits, the ratio of office overhead inevitably rises.

When that happens, attention too often centers first upon the figure work of accounting as a convenient place to start cutting down overhead.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending November 22, 1930

Sherman Act Still Is Law, And Likely to Remain So

Business Chafes Under It in Hard Times, But the Little Fellow Believes in Its Philosophy

COPPER producers, after long negotiation, agree to restrict output. The price of the metal responds almost instantaneously, jumping 2¢ in a day.

Oil men, meeting in Chicago, are advised by Col. Wm. J. Donovan there is nothing in the Sherman Act to prevent their doing the same. Restricting wasteful production is not restraint of trade, he insists.

President Hoover, speaking in Boston, suggests that destructive competition in the bituminous coal industry should be reduced, and that if there are legal barriers, the regulatory laws should be revised.

Thomas W. Lamont, speaking before the Academy of Political Science, condemns the "antiquated anti-trust laws," suggests a law 40 years old ought to be overhauled.

A Voice From Northampton

One voice is raised in dissent. Calvin Coolidge, after all the others have had their say, uses his thrifty 200 words one morning to remark that it is the same old world it was when the act was passed, there is the same old need for it, and that it is an exceedingly dangerous law to be monkeying with—any conceivable alternative being worse than what we have.

Conspicuously lacking from the symposium is the opinion of the Cabinet officer who has to enforce the law. The Attorney-General has said nothing—recently. A year or so ago in Memphis, he said considerable. Activities of the Department of Justice since that time indicate there has been no change in its attitude.

Colonel Donovan permitted himself some experiments in liberalism when he was in office. With the exception of that brief interlude, the Department of Justice has clung unswervingly to the policy that, good law or bad law, the Sherman Act is real law, equipped with real teeth.

Furthermore, the Supreme Court has consistently strengthened the law by a long series of decisions. (This is not utterly astounding, for the Sherman Act, after all, is merely federal enactment of the principles of the common law, well established for centuries.)

Two Live Questions

There are two questions alive at the moment: (1) Can competitors in an industry unite in an agreement to curtail production without running afoul of the Sherman Act? (2) Is the Sherman Act likely to be modified? The answer to No. 2 is just plain "no."

The answer to No. 1 is "Probably not." Whether, in the present emergency, the government would be particularly zealous in working up a case against an industry admittedly in distress is a third question. The answer might depend upon that industry's behavior, its moderation.

Attorneys grown gray in fighting cases under the Anti-Trust Law—Washington and New York are full of them—just don't believe in Colonel Donovan's theory. He cites cases wherein the Supreme Court held production was not commerce. They will cite him a few where the Court held it was.

When Competitors Agree

If competitors agree among themselves to restrict production, the immediate effects are (*a*) higher prices, and (*b*) to keep others out of the industry. Now the two things the Sherman Act is most concerned about are (*a*) artificial price manipulation, and (*b*) keeping opportunity equal for all.

The tired old gentlemen who have worn themselves out trying to beat the law, point out, a little drily, that the oil men haven't taken the advice offered them. They have preferred the safer plan of working through the power of the states to conserve natural resources.

As to the chances for modification of the Anti-Trust Laws, veteran political observers doubt if it can be done in the next Congress. They doubt, for that matter, that it can be done at all. But if it can be changed at all, the most that can be expected is one experiment. Like prohibition it might be a noble experiment, but also like prohibition it would upset every precedent in our history.

Here is the case against tampering with the Sherman Act, as it is put by opponents of modification. It is a view that carries much weight in Washington:

The reason the Sherman Act is almost certain not to be changed soon is that in times of depression, the liberals, radicals—call them what you will according to your own leaning—are at their strongest. It already is apparent the "insurgents" or "radicals" will have great power in the next Congress; if they cannot get everything they want, they certainly can block anything they do not want. It is naive to suppose they are going to permit the weakening of a statute that serves to curb the powerful.

The Little Fellow's Faith

The reason the act is not likely to be changed at all is much the same: the man in the street still believes in it. He may not understand it, almost certainly doesn't, but he thinks it is a bulwark against oppression. It is a safeguard for the little fellow, in his belief—and maybe he's right. Events of the past 14 months have not done much to convince the average citizen he ought to tear down all fences and let big business run hog-wild. He may be wrong, but that is how he feels. And he is writing lots of letters to Washington to say so.

Nor is everyone of higher intelligence and wider experience ready to scrap the Sherman Act—as note Mr. Coolidge. The act may annoy numerous business men, especially in times like these. But it expresses the fundamental political and social philosophy of the United States—no monopoly, free competition, unhampered commerce, equal opportunity for all.

The business man demands oppor-

tunity to make all the money possible, the right to enter any business he fancies. He must then accept the hazard of losing a lot of money.

The only thinkable alternative to free competition is government regulation. If the business man wants monopoly—the right to control output, eliminate wasteful competition, make profits absolutely certain—he must look at the utilities and be reconciled to supervision, rate fixing, exactions that they accept.

Certain harassed industries, sick unto death, almost, might welcome safety at the price of independence.

The President mentioned one—coal. It is possible to make an argument that the nation's stake in natural resources is so great that it transcends the importance of keeping alive the principle of private initiative, free opportunity.

The Sherman Act might be amended to exempt natural resources—coal, oil, lumber, etc.—from its operation. Under a government board, production, wages, prices, could be controlled, waste eliminated, steady returns assured. Even proponents of the plan are a little appalled at the bureaucracy this necessitates. But they say, "Better even that than this horrible waste." It may be tried.

The present system *is* wasteful, of course. Waste irks engineers, like Mr. Hoover. Those who are not engineers, but political philosophers, say that waste is part of the price of liberty.

There is no wasteful competition in Russia.

Oil's Production Control Takes Consumption Survey as Guide

SEVERAL thousand oil men have come home from the Chicago meeting of their American Petroleum Institute all set to switch their discussions of overproduction, excessive stocks, price-cutting, destructive trade practices, and profitless operations into the past tense.

To justify their much-needed optimism they point to unofficial acceptance by the industry of an operating schedule for the coming months that should ensure continued curtailment of production, normal stocks of crude oil and refined products; make possible stabilization of prices on a profit-producing level. This is to be based on the 2 surveys of estimated gasoline requirements until April 1, presented by the institute and by a special committee of the Federal Oil Conservation Board (*The Business Week*, Nov. 12).

Marketing Code Works

They are further encouraged by the news that their marketing code, adopted little more than a year ago, has been operating successfully; that the 15,000 signers—virtually all the important producing, refining, and marketing interests in the industry—are, with few and minor exceptions, actively supporting it.

Among specific suggestions for curtailing production, the plan of unit operation which is shortly to be put into effect in the Kettleman Hills field of California got their closest attention. Their efforts toward control have been greatly strengthened by recent court decisions, notably that of the Supreme Court of Oklahoma, which furnishes a legal basis for curtailing production in the public interest and for prorating output by proportional representation as carried out by unitization plans.

They came away from Chicago with new convictions on the importance of mending their pricing policies. Henry M. Dawes, chairman of the marketing division of the institute, told them that the industry is becoming the laughing stock of the world because of its price-cutting propensities; urged the adoption of a one-price policy. Incidentally—but not so incidental at that—Mr. Dawes suggested that the men who make prices are the salesmen, and that the more incompetent they are the more control over sales policies they have. "The involved and sinister plots and schemes by which a competitor is alleged to have gotten business away from a poor salesman, but a good alibi artist, would do credit to Edgar Wallace," he said. "Their stories of the disreputable violations of decent ethics on the part of all competitors are exasperating enough to stimulate a rabbit to spit in the face of a bull dog and result in kindly Christian gentlemen resorting to reprisals for injuries never done them."

The institute tabled a resolution calling for definite action in favor of an oil tariff because the opinion of the directors was so evenly divided on the subject. Despite the agitation led chiefly by Wirt Franklin, Oklahoman independent, there still remain many who fail to see how a tariff will aid an industry which exports so large a proportion of its output.

Pacific & Atlantic

OIL MEN

Henry L. Doherty (left), E. B. Reeser (center), president of the American Petroleum Institute, and Harry F. Sinclair at the meeting in Chicago

The Business Week

THE NEAR EAST IN THE FAR WEST

Harvesting Deglet Noor dates near Indio, California. Intensive irrigation and culture make the palms yield 300 ot 400 pounds each. Larger, finer than the imported variety, they command high prices in the luxury trade

Props Under Wheat and Copper Strengthen Commodity Markets

WITH copper advanced in price substantially and wheat steadied through the Farm Board's support, commodity markets displayed a better tone during the week. Actual changes in the upward direction have been few, yet the pressure to sell has eased off in many instances and price movements have been confined to a narrow range.

The sharp rise of copper came on the heels of the agreement among producers to curtail output. Within a few days the price advanced 26%, from 9½¢ to 12¢ a pound for domestic delivery and to 12.30¢ for European destination. Whether the metal can be maintained at the new level appears very doubtful, as the statistical position of the industry is not satisfactory and demand has slackened. Considerable weakness has already crept into the market, which is not surprising after such an abrupt rise in price.

Nominally copper is still quoted at 12¢ a pound, although quantities of second-hand metal are available at 10½¢ and at least one custom smelter has been reported offering supplies at 11¢. A considerable shading of prices also is announced abroad.

Domestic demand for the metal continues small, both on account of the increase in price and because large consumers have their requirements covered for some time ahead. Foreign sales continued large at the new price for a few days but have now dwindled to a low figure. With the rise of copper, several fabricators increased the prices on their products. In some quarters opinion is expressed that the unstable position of copper may be improved in the near future by a rise in steel prices.

In contrast to the violent breaks at the Winnipeg and Liverpool grain markets, the position of wheat at Chicago has remained steady and kept above the level of world prices, as a result of government-sponsored purchasing of future deliveries.

The Federal Farm Board, abandoning its former policy, has again entered the wheat market and, through the Grain Stabilization Corp., has made heavy purchases, chiefly in old December contracts at 73¢ and in new May at 76¢ a bushel. Chairman Legge explained the move as an attempt to stop panicky selling and prevent further unwarranted declines in domestic prices. So far the purchases under the corporation's stabilization operation have amounted to 10 million bushels. Its total holdings of cash and futures are estimated as low as 70 million and as high as 100 million bushels, but it is more likely that they are around the 85 million figure.

Market Watches Winnipeg

The great unsettlement in the Winnipeg market caused by a decline of almost 8¢ a bushel to 54½¢ for December delivery, the lowest mark in the exchange's history, was due to the fear that the Canadian Wheat Pool would dump large quantities of wheat at the market and to the great volume of backspreading between Chicago and Winnipeg, with selling in the latter market. However, the federal government's refusal to intervene has been interpreted by trade as indicating that the danger of dumping is not imminent, and this has helped to raise wheat prices from their low levels.

The situation in the cotton market shows little change, with prices moving within a very narrow range and steady cooperative buying acting as one of its chief supports. The official October consumption report of 444,494 bales marks a satisfactory gain over the preceding month, but is about 30% under the October consumption figure of last year.

Sugar prices have weakened from slackening in demand, and on report of dissension among Javan producers on crop restriction. The passage of the new Cuban sugar law, discussed in another article in this issue, had no effect on the price trend, expectation of its enactment having been discounted during the past several weeks. The next development which may influence prices is the forthcoming conference with Javan sugar planters.

Ottawa Refuses To Support Canadian Wheat Pool

OTTAWA (*Special Correspondence*)—The Canadian wheat pool has weathered another crisis, temporarily at least, through help of the western provincial governments. With the pool facing the necessity of dumping cash wheat on a falling market to secure funds to meet margin demands on "futures" in which it had traded on the "long" side—the wrong side—on the Winnipeg Grain Exchange, premiers of Manitoba, Sas-

katchewan, and Alberta rushed east to enlist aid. By virtue of assurances they consented to give the pool's bankers in the names of the provincial governments, they were able to induce the banks to protect the margins, virtually to take up the pool's options.

Plan Government Sales

Coincidentally, the premiers have determined on a reorganization of the central selling agency of the 3 provincial pools which will place them virtually under the control of the prairie governments. Pool bankers have approved their plan, which calls for the installation of the Hon. J. E. Brownlee, Premier of Alberta, as head of the reorganized agency. Mr. Brownlee will resign his premiership to take the post. The 3 provincial governments will be responsible for his approximately $18,000 salary in the ratio of their respective liabilities under their guarantee of pool borrowing—Saskatchewan, $12 millions, Manitoba and Alberta, $8 millions each. The assets of the pools, exclusive of wheat in their possession, exceed these liabilities. In Saskatchewan they amount to $17 millions in the form of elevators and other grain-handling equipment.

The premiers say that no less drastic measures than governmental operation can save the selling agency, and so protect the liabilities of the provinces under their guarantee to the banks of loans to the pools for initial payments to farmers on the 1929 crop. They hope that, with the pools under their control in this way they may, later on, persuade the federal government to extend some form of assistance to the distressed provinces.

Ottawa has again refused such assistance just as it refused to act when the premiers came east on their last quest for aid in August.

Ottawa Will Keep Out

This time, their proposition was that the federal government "peg" the price of wheat at 70¢. In the absence of Mr. Bennett in Europe, Sir George Perley, acting prime minister, declined to commit the government; gave the Westerners to understand, that it would not undertake such a radical departure without consent of Parliament, which will not meet before February at the earliest. And the government will not submit such a proposition to Parliament. Outside the distressed provinces, opinion is pretty solidly opposed to it; says intervention would be futile. The banks must carry the risk. How far they will go if the situation gets worse is the big question in the West today.

A number of supplementary proposals for federal aid were submitted by the representatives of the provincial governments, including, it is understood, one for the establishment of a stabilization board on the United States pattern.

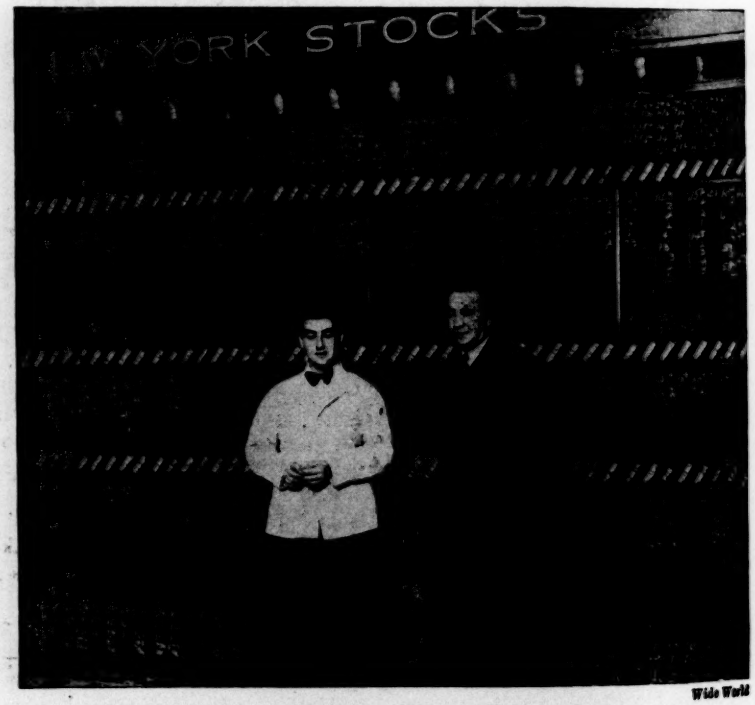
In a market around 60¢, the pool has still a carryover from 1928 and 1929, variously estimated at from 10 to 30 million bushels, for which it paid $1. It has lost between $10 and $20 millions on the part of the carryover already disposed of this year.

But one relieving factor is that Canadian wheat is moving out. The visible supply this week is 95½ million bushels, compared with 101⅓ million bushels a week ago and 137 million bushels a year ago. This contrasts favorably with the situation in the United States, where the visible supply is larger than a year ago.

Cold Blast of Caldwell Failure Freezes Credit Over Wide Area

While Quick Action May Minimize Direct Losses, Funds Will Be Tied Up, Loans Held Up

BUSINESS throughout the South has suffered a severe jolt through the collapse of the Rogers Caldwell interests under the weight of depression. Scores of banks from North Carolina to Missouri have closed. Some are heavily involved. The greater number are not entangled, but unable to cope with runs caused by the destruction of public confidence. No section of the country has, for some time, seen so important a portion of its financial structure collapse, not even when the Northwest watched Foshay go down. Action has already been taken to minimize direct losses. Business is beginning to remember that there are many strong banks in the affected area in no way involved in the débâcle. But



Wide World

WASN'T FOOTBALL ROUGH ENOUGH?

Knute (Notre Dame) Rockne, of all people, goes into the brokerage business, of all things. The big sock-and-shove man from South Bend is here seen (right) before his nice new quotation board, apparently unabashed by the nice low quotations

Pacific & Atlantic

FIND THE YANKS

In Russia's giant Ford plant at Nizni Novgorod American workmen are teaching the Soviets "line production." Fords are now assembled from Detroit-made parts. Eventually Russia will produce domestic-made Fords

it is deeply concerned over the repercussions on investment activity, on the loaning operations of bankers shocked into a new caution; over the tie-up of funds in banks where it is too late for caution.

Largest in South

Caldwell & Co. of Nashville ranked as one of the largest firms of investment bankers outside the financial centers, probably the largest in the South. Its organization for distributing the securities it brought out was widespread. It held heavy interests in several banks in the Kentucky-Tennessee-Arkansas area. Last summer it announced a consolidation with Bancokentucky, a chain of banks in Louisville, Cincinnati, and nearby towns headed by James B. Brown, publisher of the Louisville *Herald-Post*. (*The Business Week*, June 11). The news dispatches said that the combined institution brought together resources of about $615 millions.

Big Insurance Holdings

Large holdings in Intersouthern Life Insurance Co. made the firm important in insurance. To Intersouthern's strength were added the substantial holdings of Intersouthern in Missouri Life, Southwestern Life of Dallas, the Home Group at Little Rock, Southeastern Life, Greenville, S. C., and Shenandoah Life

Besides being interested in banks and insurance companies, which are both heavy purchasers of securities, Caldwell was also a large dealer in mortgages, in the firsts and seconds arising out of the industrialization of the South. And with the spread of its activities the firm naturally became associated with many other lines of financing, many other Southern financial institutions and movements. A member of the Caldwell group was a director of the Federal Reserve Bank of Atlanta.

Its tremendous growth and expansion occurred during prosperity. With the crash has come nervous and harried unscrambling. Colonel Brown at Louisville announced that the Caldwell-Bancokentucky merger had never been consummated—which was news to everybody who read the earlier reports. Arkansas banks announced that local interests had reacquired Caldwell interest in them. Caldwell's Intersouthern Life holdings were acquired by "powerful financial interests" according to announcement. Cincinnati clearing house members reacquired Cincinnati banks from Bancokentucky. And several banks in the affected area have hurriedly sought in mergers the strength needed to cope with the runs that began with the Caldwell collapse.

Nevertheless, Caldwell has failed. With the firm, went Bank of Kentucky, Bank of Tennessee, and other institutions in Knoxville, Louisville, and smaller centers. Closing, announced as temporary, of the large American group in Arkansas caused temporary suspension of several dozen rural institutions. Contradictory reports emanating from the closed institutions state that assets, though frozen, exceed liabilities and that no losses will occur; that the failed institutions have been thoroughly mulcted for all liquid resources.

Slowing Down Inevitable

Immobilization of credit resources as banks have closed decreases business activity over the wide area affected. Even more serious is the immobilization due to fear aroused by the magnitude of the collapse. A general slowing down will inevitably result from such a deadening of credit arteries.

Public works are almost certain to be retarded, also affecting business unfavorably. Large amounts of public money, both state and local, are frozen in the closed institutions, in some cases severely embarrassing county and city governments. Though, through bonding, the governments will be in a preferred position over the individual depositor, delay is inevitable.

There is almost certain to be delay in obtaining necessary operating and investment credit throughout the region where Caldwell was a leader in financing both governments and industries, where he dominated the municipal bond flotation business. With the machinery supplying that credit smashed and many banks embarrassed, extensive rebuilding will be necessary before funds will flow again.

Chain Banking Hurt

Concentration of control of banks, group and chain, receives a black eye from this débâcle. Though Bancokentucky's current status is not yet definitely known, the failure has brought unpopularity to the concentration idea.

Political consequences are threatened in Tennessee. Public criticism has linked Gov. Henry Horton with the group and impeachment proceedings are threatened in January.

Causes of the failure include the impact of business depression, the collapse in security prices, the wobbly bond market, all tending to freeze securities held by Caldwell interests and connections; damage done to the region through agricultural distress, and the inability of management to meet the economic problems with which it was confronted.

Government Debates Effect Of Treasury Deficit Next Year

Red Ink Might Curb Congressional Spending And Give Europe Pause, But Mellon Objects

WITHIN two weeks, the administration must recommend to Congress tax rates on 1930 incomes. No decision has been announced. Controversy apparently exists behind the scenes. The President strongly favors present rates. The Treasury wants them increased. Such Senators and Representatives as have spoken favor an increase.

Government finances now are running far behind the previous fiscal year. The current operating deficit is 30% above last year's. Receipts during the period since June 30 are 14½% smaller than a year ago, due to lower customs receipts reflecting lower foreign trade of 37½%, income tax payment decrease of 10%, and a decline in miscellaneous internal revenue of 5%. Income tax payments in this figure are largely those of the September quarter, still covering 1929 operations. Incomes of 1930 will be 25% to 30% below 1929, with first payments on 1930 incomes occurring in March, 1931, the third quarter of the government's present fiscal year.

A deficit for governmental operations is almost certain for the current fiscal year if low rates are maintained, not improbable even if rates on 1928 income are restored. For the fiscal year ending June 30, 1932, a deficit is probable if low rates are continued on 1930 incomes, possible even if rates are raised, but a business pickup would reduce it.

Would Show Confidence

Need of business for relief from every possible burden motivates the low rate proponents. The administration is urged to lead the way in courage by this display of confidence in an early recovery of business which of course would bring the government's revenues upward. Business recovery would almost immediately increase customs receipts and miscellaneous tax payments, but a considerable lag occurs in income tax payments.

Slower reduction of the public debt is a means whereby it is proposed to avoid or diminish the deficit. For past years this reduction has averaged slightly less than $1 billion annually, including application of the substantial surplus devoted to this purpose each year. Slowing down of this reduction would occur through (1) having no surplus, (2) devoting foreign payments of interest to current expenditures instead of to debt reduction, and (3) possibly through a revision of the sinking fund law. This law provides for retirement of a given percentage of debt each year. Some members of Congress indicate willingness to revise this law, probably would do so if such a step were recommended.

Heretofore debt reduction has been partly automatic, since European governments in paying debts and interest purchased U. S. securities in the open market, saving themselves the difference between market price and par. These securities then were destroyed, reducing the debt. This year investors are paying a premium for U. S. securities. Europeans therefore pay in cash.

Reduction of government expenditures is another method of achieving a balanced budget. But so far this year, expenditures are 5% above a year ago. Possibility that the Farm Board will take less from the Treasury, even repay funds already borrowed, is a source of possible economy.

If these efforts fail, a deficit of almost any size is possible. This would simply mean enlarging the public debt, a directly inflationary measure.

Two definite advantages of a deficit are being urged. First, red ink would successfully frighten the wild horses of Congress away from the Treasury. Secondly, European nations could not so plausibly ask a revision of their debts if the Treasury showed poverty rather than prosperity. President Hoover, in a recent statement, let it be known he would countenance a deficit.

Mr. Mellon Is Pained

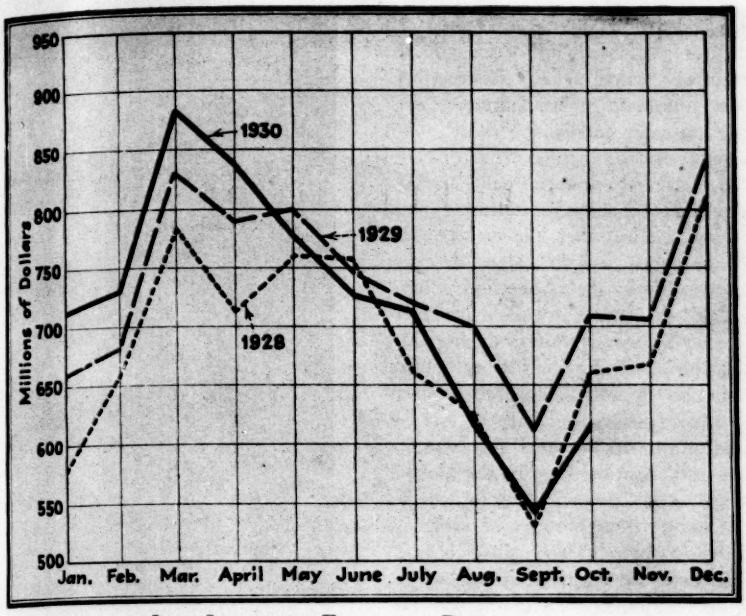
To Secretary Mellon, though, the thought of a deficit is painful. The rapidity of our debt reduction has been a source of pride. Once foreign payments are diverted into current expenses, they very likely would stay. If the sinking fund law is revised, it would be hard to restore present standards. Revenues once found are hard to relinquish.

Incurring of a deficit is contrary to the "pay as you go" policy. It is inflationary and a method which this

Underwood & Underwood

FIFTY MILES AN HOUR, OVER CITY STREETS

New York's first real blow at traffic congestion: the elevated express highway. The first section, Canal to 22nd St. along the Hudson, is 1 1-2 miles long, cost $6 million



LIFE INSURANCE FEELS THE DEPRESSION

Almost the last business to be hit, because people turn to it in time of stress for savings, life insurance sales for October dropped below 1928 and 1929. Heavy sales early in the year bring the 9 months' total .05% ahead of 1929; the October decline pulls the 10 months' total 1.2% below. The chart shows sales of ordinary life, excluding group and industrial, as compiled by the Association of Life Insurance Presidents, from companies having 82% of total outstanding business

country has disliked in other nations. Prospects for lessened government expenditures are not bright, with continued demands for unemployment relief through construction and other measures. If expenses are to be cut, the Hoover administration will show more fortitude than any government for many years.

The problem is well complicated by considerations of political and economic expediency; the simple arithmetic of governmental income and outgo isn't the final answer. It is possible, but hardly probable; that the matter may be submitted to Congress for decision. A compromise, raising rates part way up to 1928 levels, also is possible.

Savings Banks Open Fire On Their Competitors

SAVINGS bankers, embattled and opportunistic, fired a shot heard 'round the financial world this week. Spurred by the failure of savings deposits to increase for 2 years, the savings depositories, both those that are strictly savings banks and the commercial banks which accept savings, are launching a campaign to stimulate saving. Aggressive promotion through newspaper, bill board, direct mail and other advertising will be used.

The depression-born desire to save makes their campaign timely. Representing a surplus accumulated through savings as the strongest possible bulwark against depression, it is certain to get wide support. "Economic Independence" and "There is no Substitute for a Savings Account in a Bank" will be the slogans.

Simultaneously with this appeal bankers will strike out vigorously against the numerous forces "encroaching" on the savings deposit field in recent years —the stock and bond salesmen, insurance agents, building and loan association promoters and numerous other groups who have been capitalizing the same appeal for thrift. Instalment selling and the luxury trades are other competitors. And some of the "numerous competitors challenging the right of banks to the savings of the American people" have used "unscrupulous methods to make savings depositors dissatisfied with their banking relations," say bankers.

Now bankers have strong arguments against some of these competitors. Stock prices have crashed 3 times in the past 1¼ years. Many building and loan associations with their funds entirely invested in mortgages have not been able to pay out on demand: most banks have. Though instalment payments have been fairly prompt, depression has made payments extremely onerous to many, and the idea of a savings backlog has a new advantage over the lure of a new non-necessity on the "dollar down" basis.

The campaigning banks are also looking for a response to counteract the withdrawals of savings deposits expected when business recovery comes to swing some of the deposited funds back into business.

30,000 Concerns Insure 7 Million Employees

ABOUT 30,000 American businesses will have $10½ billions of group life insurance in force on their 7 million employees by the end of 1930. Because such insurance has been in force, families of 61,000 American workmen (51,000 dead through accident or disease; 10,000 disabled) will have received $90 millions. Payments this year will exceed by $12 millions those of last.

These estimates, by B. A. Page, vice-president of the Travelers Insurance Co., are based on payments thus far in 1930. Average claims this year are $1,500, the average of group insurance in force. Total payments for the 18 years during which group insurance has been sold will be $335 millions by the end of 1930. More than one-third of this amount has been distributed to 120,000 families during the past 2 years. These total payments during the 18 years have resulted from the death of 200,000 employees by disease, of 30,000 by accidents; from disabilities to 29,000.

Sales of group insurance for the first 10 months of this year totaled $902 millions, which was 3.9% less than for the same period of 1929, which in turn, was less by 11.3% than for the same period of 1928, much of the 1929 drop coming in sere September.

Utility Earnings Shrink But Are Still 3% Ahead

UTILITY executives were studying this week figures on the revenue of electric light and power companies for the first 9 months of the year, which show a gain of 3% over the same period of 1929. The total for all energy sales up to October was $1,588,400,000; $1,541,000,000 for the same months last year.

While 1930 earnings have been con-

sistently ahead of those of 1929, the margin has been gradually narrowing month by month, until in September, revenue this year was $174,600,000, only 0.6% ahead of September, 1929. Indications are that total revenue for all of 1930 will be not far from $2,150,000,000, leaving a gain somewhat better than 2% over the $2,105,900,000 for 1929.

Operating expenses have been held down to reasonable proportions compared with revenue, so that the gain in gross revenue has been reflected in net. Reduced fuel consumption alone has saved $1 million a month.

Rayon Makers Guarantee Prices to Aid Buying

NEW blood was injected into the anemic rayon yarn market this week when two leading producers announced the adoption of a 60-day price guarantee policy. The step was taken to encourage manufacturers to cover for spring requirements. The accepted belief that January would bring a price cut had resulted in an almost complete cessation of future buying, and the consuming firms faced the problem of entering January with stocks too small even for immediate needs.

The Tubize Chatillon Corp. early in the week announced that it would protect its customers against any price decline. The action was duplicated the following day by the Viscose Co. Others are falling in line. This move by Tubize Chatillon was the first official step to be taken in this direction, although the market had generally accepted reports that at least one important company had been following such a policy unofficially.

Senate Banking Inquiry May Get Early Start

BUSINESS is now awaiting with keen interest the Senatorial investigation covering a wide financial field which is expected to get under way shortly after Congress convenes; to take up many moot questions on the Federal Reserve system, the national banking system, and use of bank credit for speculation. Senator Carter Glass, former Secretary of Treasury and co-author of the Federal Reserve Act, will be conductor.

Originally, hearings were to begin Nov. 15; then an indefinite postponement was announced. Fear of disturbing further an already badly unsettled financial situation deters a committee which has professed its desire to be constructive rather than destructive. But developments in Washington now indicate an early end to the delay.

Individuals prominent both in private and government finance will appear before the Senate committee. The prevailing feeling that the study will be along constructive lines has brought numerous offers of cooperation. The lines laid down in an extensive bill introduced by Senator Glass during the last session (*The Business Week*, July 2) undoubtedly will be important ones in the investigation.

Resumption of hearings on branch, groups, and chain banking by the House Banking and Currency Committee is also probable, though renewed authorization must be obtained since House committees cease from troubling when Congress adjourns. The Senatorial committee obtained its authorization last spring and this continues in effect.

Union Protects Employers Against Faulty Work

THE Milwaukee electricians' union is going to underwrite the skill of its members. It has just entered into an unusual trade agreement with the local electrical contractors and dealers association that binds it to protect employers against faulty workmanship, enables them to guarantee customers that every union employee measures up to the qualifications called for by his grading.

Three grades of workers are provided for in the agreement: highly skilled men at $1.25 an hour; less skilled ones of limited experience at 87¢ an hour; helpers at lower wages to be increased from year to year until they qualify for the second grade.

Faulty workmanship will be charged directly to the union member responsible for it. Union members who fail in practical tests for their indicated grades will be demoted, must go to school. Electricians' classes have been started at the Boys' Technical High School in Milwaukee.

Coal Dealers Rally Around Automatic Stoker

A RELATIVELY new factor in home modernization merchandising plans is the automatic furnace stoker. First developed in 1923, automatic stokers are now being made by 60 concerns; are being actively marketed by coal dealers; have drawn railroad influence behind them by their promise of greater coal-hauling revenues; are expected soon to become an important item in the electrical merchant's catalogue.

Until 3 years ago, stokers were sold chiefly for hotels, apartment houses, and other large installations. Many coal dealers were opposed to them; saw a profit of 80 cents to $1 a ton slipping away in the cheaper grades of coal which can be burned in stoker-fired furnaces. But increasing competition from oil and gas has turned coal dealers to the stoker as a defensive weapon against these other automatic heating units and they are exploiting the small-home market to the utmost.

Stoker prices range from $400 to $2,000; dealers' discounts from 35% to 50%—about 10% net after paying salesmen's commissions and installation costs.

Keystone

STEEL AND GLASS

The new office building of the Worcester Pressed Steel Co., fittingly constructed of standard steel shapes, is the first of its kind to be erected

Cashing Bonus Certificates Would Release $850 Millions

Demand for Congressional Action Is Based on Claim That It Would Relieve Distress, Stimulate Business

CONGRESS will be under pressure this winter to redeem at once in cash the soldiers' bonus certificates. Ever since the bonus issue was met 5 years ago by handing every veteran a paid-up 20-year endowment policy, average value at maturity in 1945 of $1,012, there have been rumblings of dissatisfaction with this deferred form of settlement. Just now the discontented have seized upon the opportunist arguments that release of the huge sum involved would relieve distress, stimulate business.

Legion Opposed

The American Legion is opposed. Small groups of veterans, however, pass resolutions favoring the plan; newspapers everywhere publish letters in its behalf. The government gives the plan no sanction, untempted by the enormous saving that could be effected.

Here are the figures: 3,461,951 veterans hold certificates, which today have an average commuted value of $500 each. Face value at maturity, $3,501,597,817. Value today on a commuted basis, $1,700 millions. Treasury reserve to meet this obligation, $750 millions. Loans have been advanced to 1½ million veterans for a total of $275 millions, $40 millions by banks, the rest by the Veterans Bureau. Average loan, $110.

Treasury and Veterans Bureau officials believe it a fair assumption that the veterans who have borrowed money would be the ones who would cash certificates. The remaining millions apparently are the thrifty, the better situated, who regard the certificates in their true light, as insurance policies, to be kept in force.

If the 1½ million veterans who have borrowed on their certificates and an estimated possible 200,000 more who have not considered borrowing should demand cash, it would require 1,700,000 times $500. The answer is $850 millions.

The Treasury, of course, can apply to cash redemption only the reserve set up against each policy redeemed; its reserve against each unsurrendered policy must remain intact.

Treasury Would Borrow

Treasury reserve against each policy is about $216 today. Reserve against 1,700,000 policies, therefore, is $367 millions. And $850 millions, required to cash 1,700,000 policies, less $367 millions reserve, leaves $483 millions increased obligations that the Treasury would have to assume. As a matter of fact, the Treasury would be required to borrow the whole $850 millions if the plan went through since the reserve fund is in the form of government certificates which would have to be converted into cash.

Loans of $235 millions advanced by the Veterans Bureau against bonus certificates cannot be applied to reducing the amount necessary for the Treasury to borrow as these loans were made out of the government life insurance trust fund, title to which rests not in the government but in government life insurance policyholders. So such loans have the same status as loans made by the banks on bonus certificates.

May Offer Alternatives

But if Congress finds that the demand for a cash settlement is too insistent to be ignored it may counter with alternatives: (1) A cash settlement for all veterans holding certificates whose commuted value does not exceed a certain maximum, say $250, with payment of a like sum on account to all others—which is criticized as discriminatory against men who saw long service; (2) An exchange of bonus certificates for negotiable participation certificates against the Treasury's $11 billions in allied bonds—which would eliminate borrowing or appropriations.

Meanwhile, Veterans Bureau bulletins are busily warning veterans that immediate cash settlement would cost them approximately half of the face value of their bonus certificates, would deprive their families of the protection which the certificates afford as paid-up life insurance policies.

International News

FOUR IRON MEN

Charles M. Schwab (second from left) and Eugene G. Grace (next right) visit the New England properties of Bethlehem Steel. With them are Harry E. O. Gould (left), general manager of the Fore River plant, and Samuel W. Wakeman (right), vice-president of the shipbuilding company

Natural Gas Interests Battle For the Rich Detroit Market

City Council Hears Report Favoring Local Company As Pipe Line Builders Sign Up Big Manufacturers

PROSPECTS of competition among powerful utility groups for the privilege of supplying Detroit's industries with natural gas for manufacturing purposes loom as a result of a report to the Detroit City Council by John H. Morgan, statistician, after an investigation of the application of the Northern Industrial Gas Co. for a franchise to distribute and sell to Detroit's large industrial companies natural gas piped from eastern Kentucky (*The Business Week*, Oct. 29).

Jointly owned by the American Utilities & General Corp., Moody-Seagraves Corp., and Hope Engineering & Supply Co., the Northern Industrial Gas Co. already has signed provisional contracts with consumers using 44 million cu.ft. of gas a day. It proposes to spend $25 millions in the venture, which includes construction of a 390-mile, 22-inch pipe line from Kentucky fields to Detroit, delivering 60 million cu.ft. of natural gas of 1,050 B.t.u. value to Detroit daily.

Complicating the situation is the Detroit City Gas Co., a subsidiary of the American Light & Traction Co. It is furnishing domestic and commercial users in Detroit with artificial gas of 530 B.t.u. value, but has never developed a real industrial division. Its industrial business in the year ending Aug. 31 totaled less than 3¾ billion cu.ft., only a small part of the potential volume. It now obtains some 54% of its supply in the form of coke oven gas from Semet-Solvay Co., Michigan Alkali Co., and Ford Motor Co., with each of which it has long-term contracts.

Objects to Duplication

The Morgan report calls it ill-advised to permit rival companies to duplicate each other's facilities; recommends that the need for natural gas in Detroit be met by setting up an industrial division within the Detroit City Gas Co., with a pipe line distributing system separate from present equipment. Under this plan, the company could purchase natural gas from outside sources, furnishing it to industrial users; the excess could be mixed with coke oven gas for distribution to residential and commercial consumers. Mr. Morgan suggested that the Council ask the Detroit City Gas Co. to open negotiations with the Northern Industrial Gas Co., Columbia Gas & Electric Corp., the Insulls, Cities Service, Standard Oil interests and some companies operating in the Michigan oil fields.

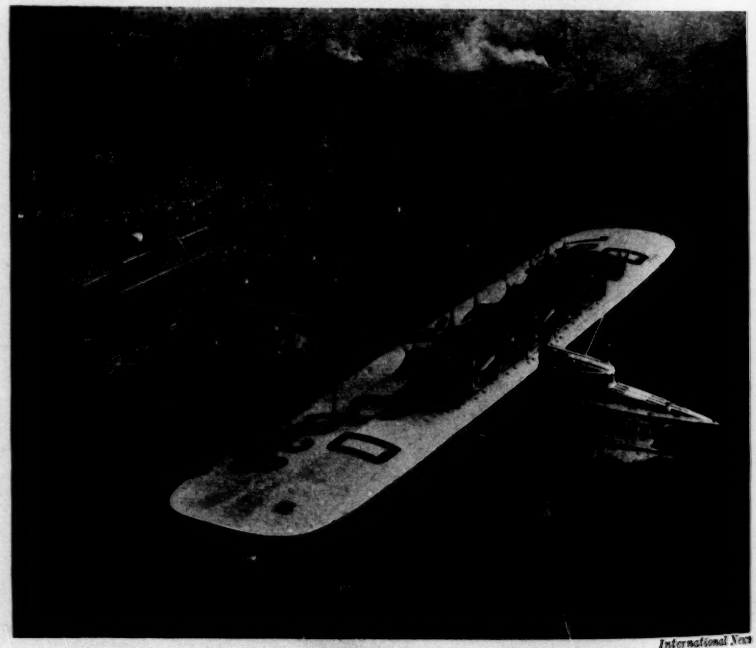
Detroit City Gas Co's industrial business has been threatened before. The high rates which have turned manufacturing plants to other fuels—especially oil, which sells as low as 4¢ to 6¢ a gallon—recently encouraged the Philfuels Corp., subsidiary of the Phillips Petroleum Corp., to bring butane to Detroit. But after a large automobile company had made the city's first major installation for the use of butane, City Gas brought down its rates, blocking further encroachment by butane. The new threat is more serious.

All agree that Detroit's industries would benefit from natural gas. They could obtain more efficient and economical fuel for heat-treating, forging, tempering, steel-making and like operations. One of the significant lines in Mr. Morgan's report reads, "It is stated that with natural gas as a fuel Detroit will be able to compete with Pittsburgh in the production of steel and allied products."

The artificial gas requirements of Detroit's large industrial plants, measured in million cu.ft. a month, are: Dodge Brothers, 40,000; General Motors (all departments), 23,000; Hudson Motor Car Co., 15,000; Detroit Michigan Stove Co., 14,000; Bohn Aluminum & Brass Corp., 14,000; Kelsey-Hayes Wheel Corp., 12,000; Great Lakes Steel Corp., 10,000; and Packard Motor Car Co., 9,100.

Trans-Atlantic Air Mail Eventually, Not Now

AIR-MAIL service across the North Atlantic is many years away in the opinion of aviation authorities who commented this week on the plans of the Pan-American Airways and the Imperial Airways, Ltd. of London for such a service via Bermuda. Chief significance of the development, they believe, is that it indicates closer relations with England in air matters. This, they hope, will result eventually in a badly-needed



International News

BERMUDA BOUND

The giant DO-X flies over the Rhine country en route to America by way of the Azores and Bermuda. This is the route proposed for the England-America trans-Atlantic mail service

The Business Week

SALES PARLOR

The new Fifth Avenue office of the Canadian National Railways has walls of oak, floor of teak and ebony; XVIIIth century desks replace the conventional counters

agreement between the two countries whereby, in the export and import of planes, the specifications vouched for by each country will be accepted without question by the other.

It was also pointed out that, although trans-Atlantic air-mail service will come to pass some time, there is no pressing need for it. Mail now crosses the ocean in 4 days. If greater speed of communication is needed, the cable and telephone offer ample opportunities. The plane service would take at least 3 days. Much more could be gained by facilitating the carrying of mail from ship to shore by planes, many experts believe.

Sadly Stricken Railroads Plan Fight for Revenues

RAILROADS plan an aggressive campaign to alleviate the conditions which have reduced their net income to the lowest point in 10 years—competition from motor vehicles, waterways, pipelines; low freight rates. Apparently the harassed carriers at last see that something has to be done; are deeply concerned with the ways and means of doing it.

Meeting this week in New York, the executives of the Eastern roads discussed the problem from all angles and listened to a special group which had been detailed to make specific recommendations. The informal committee is headed by that veteran railroader L. F. Loree, president of the Delaware & Hudson, and includes P. E. Crowley, president of the New York Central; W. W. Atterbury, president of the Pennsylvania; J. J. Pelley, president of the New York, New Haven & Hartford; Charles W. Galloway, vice-president of the Baltimore & Ohio; and W. S. Jenney, vice-president of the Delaware, Lackawanna & Western.

The campaign which is now being considered is shaping up along the following lines:

Some form of store-door delivery will be offered to compete with the services of the trucking companies. The practice of dumping freight from a truck operated by a railroad into a local freight station rather than at the store door is exasperating; forces the consignee to spend extra money; is one of the chief reasons for the success of the "independent" trucking concerns.

Mass transportation of passengers, in which the rail carriers excel and which they can perform more cheaply than any other agency, will be cultivated more intensively in an effort to lessen bus competition. The problem here is mainly one of adjusting rates and schedules to meet the demand. The "three-class fare plan" established by the Santa Fe (*The Business Week*, Nov. 19) is being closely watched by rail executives as a possible means for regaining business. Mass travel will be developed by means of low rates and quick service between such points as Cleveland and Detroit, Detroit and Chicago, Chicago and St. Louis, St. Louis and Kansas City, Los Angeles and San Francisco, New York and Philadelphia, New York and Boston. On these runs, it is pointed out, buses are particularly handicapped because of delays encountered in getting to the center of the cities from the outskirts; the railroads have an advantage.

Will Run More Buses

The rail carriers will themselves operate more buses, especially to meet the demand for local service in thickly settled districts where the public wants to reach nearby larger centers, or to connect at such points with fast trains for cities farther away. They also have in mind using buses to serve points on the main lines where the business does not justify stopping through trains. It is felt, too, that more can be done in the bus sightseeing field, with motor tours through scenic regions lying away from the track.

Efforts will be made to regain the right to operate ships (*The Business Week*, April 2) and to use the waterways which the railroads, as taxpayers, help the government maintain. Along with this will go an attempt to show the public that the waterways are "tax eaters."

Since coal constitutes one-quarter of the total tonnage of the railroads, many rail officials are urging some form of cooperation with the coal trade in demonstrating the merits of coal as an economic fuel and in working out better methods of production, shipping, and marketing.

Pipe Line Competition

It is generally agreed in rail circles that something must be done to meet the threatened competition of gasoline pipe lines. Roads serving the Northwest now have an investigation under way with a view to posting rate reductions on gasoline. On the outcome will

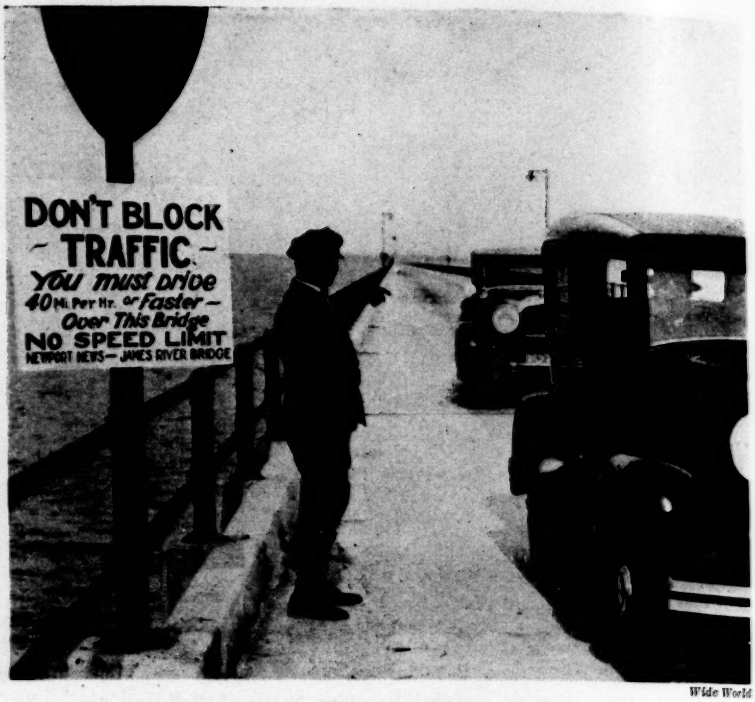
depend the action of other roads (*The Business Week*, Nov. 5).

An attempt will be made to convince the public the railroads are being treated unfairly in rate matters by the Interstate Commerce Commission. The attitude of rail executives was made clear by John J. Pelley, president of the New York, New Haven & Hartford: "What rail heads are worrying about is the tendency of the I. C. C. to knock the rates out from under us at a time when we are doing our best to stand erect. The commission cut rates in the grain-growing section, effective Jan. 1, which means potential loss in revenue of $15 millions to $20 millions, and there is a proposal to cut rates here in the East. We can't stand it now, that's all there is to it. In the East the commission thinks it is trying to help out by the new class freight rates. What it did is this. It increased the rates on the kind of freight that it is hard to get and of which we get relatively little, and decreased the rates on the freight that is easy to get and of which we handle tremendous quantities. It hurts."

What the I.C.C. Says

The attitude of the I. C. C. in the matter (they have not the power to initiate rate increases) was explained in *The Business Week* for Nov. 5 and is echoed in the criticism of F. J. Lisman, president of F. J. Lisman & Co., investment bankers, writing in *Railway Age*: "The railroad officers themselves know fully as well as the commissioners what classes of commodities could and should stand higher rates, and if they lack the backbone to act on this information for fear of loss of traffic to each other, then they certainly should not pass the buck to the overworked commission."

Chief support in the campaign will come, the railroads hope, from (1) corporations and individuals throughout the country that own railroad securities; (2) railway employees; (3) manufacturers of railway equipment and supplies, coal mines operators, and their millions of employees; (4) business men in "railroad towns" who see their business injured more and more by reductions in railroad employment; (5) private motorists who resent the increasing use of the highways by large buses and trucks; (6) business leaders who realize how valuable to business have been the improvements in freight service made within recent years, and who want the railroads to earn enough money to maintain this service.



Wide World

"STEP ON IT!"

They aim to avoid congestion on the James River bridge. It is 4 1-2 miles long, and connects Norfolk and Newport News

Economy Now, Novelty Later, To Be Motor Sales Strategy

Will Talk Price Cuts to Stimulate Buying, Hold Costly Changes Until Better Times

NEWS that Hudson and Essex models, soon to be announced, will be sold at big reductions from current price levels —$175 below those of a year ago— and reports that they will embody no extensive or expensive changes in design further indicate that the motor manufacturers' sales strategy is to be— Rely on price cuts to stimulate buying now: if they accomplish anything, well and good; if not, bring out really improved models next year when sales opportunities, too, should be improved. Chevrolet has already announced its new models at lower levels and without many changes. There are rumors of reductions by other makers to support the belief that, with little faith in prospects for the remainder of 1930, the industry generally will follow this course.

Reo's experience with its new Royale model makes it look like good strategy. The Royale was probably the most strikingly different design of the year, yet its sales have been disappointingly low and its production is already being curtailed. General opinion seems to be that, while the public is unquestionably apathetic to novelty now, this new model might be very successful next year.

Price reductions by Chevrolet, Plymouth, Essex, and others are threatening Ford's position as the low-price producer and the industry believes he, too, will cut by the first of the year. Ford output has not been holding up very well. From 97,000 in September, production declined to 78,000 in October, and November is expected to turn out little more than 50,000. It is understood that during December operations will be limited to 5 or 6 working days, with the entire River Rouge plant closed for inventory throughout the last 2 weeks.

Rumors that Pontiac is to be elimi-

nated from the General Motors line seem to be effectively squelched by the report that highly enthusiastic officials have witnessed the first 12 or 15 new models come off the assembly line. While these are in active production, public announcement is not expected until January at the National Shows.

Buick continues to show steady progress, although its present output is undergoing usual seasonal decline.

Chrysler's Problems

The recently announced decrease in Chrysler dividends was generally expected by the industry. While the high-priced line of Chrysler cars has been doing fairly well, the smaller cars such as the Dodge, De Soto, Plymouth have had heavy going. Some in the industry question the advisability of one organization marketing so many cars of similar design and price class. They point out that the standard Dodge 6, De Soto 6, and small Chrysler 6, are almost identical in body design, engines, brakes, and several other features.

While retail sales of automobiles are now in a seasonal decline which is not expected to end until next year, production estimates for November are above those of October. This unusual activity will be due largely to Chevrolet's early announcement of its new model, while the introduction of the new Hudson and Essex, and production of dealer stocks of other new models should soon bolster output.

With Prices Cut to the Bone, Department Stores Cut Costs

REALIZING that retail prices are likely to decline for an indefinite period, that dollar volume and earnings cannot be sustained at or near 1929 levels without extraordinary sales effort and utmost economy in operation, department store managers are studying functions, methods, systems, seeking opportunities to cut overhead expense, increase efficiency.

Since July when the real softening of retail prices started (*The Business Week*, July 30) the decline has affected every department, every line of merchandise. For instance, prices on apparel, one of the most important lines, are down 10% to 40%; home furnishings average 21% down, with prices on some specialty lines in that group cut in half, while furniture as such shows 20% to 45% reductions. Shoes average 13% lower, hosiery is down 25% to 30%, piece goods are off 30% to 45%.

Thus, even without loss in number of units sold, the stores encounter substantial loss in dollar volume which can be made up only through holding special sales, doing extra advertising, increasing sales expense. Mark-ups cannot be increased to compensate for this loss; managers can only simplify routine operations, eliminate wasteful practices, cut controllable overhead.

Buyers are urged to buy goods from a selling standpoint, gauge eye and price appeal more carefully; to investigate ability of manufacturers to ship promptly so that wherever possible turnover can be speeded up by frequent buying, by keeping smaller quantities of fresh goods constantly moving storeward. At the same time, they are being warned that stocks must not be starved.

Thaw Out Frozen Stocks

Department heads, merchandise managers, are being told to clear out old lines, to reduce frozen investments by taking markdowns now and moving obsolete, out-of-style, shop-worn goods; to spend more time among customers, study consumer-demand, observing habits of shoppers, registering their likes and dislikes. Executives point out that decreased prices mean proportionate increases in number of transactions per dollar volume, create danger of a corresponding multiplication of costs. Routine operations are being closely scrutinized, unnecessary handling eliminated, movement of goods through store, price-marking, selling routines are being simplified.

Notice is taken of the fact that employees are more anxious to hold their jobs, are voluntarily more efficient, give improved service, better attention to customers, thus automatically making it easier for department heads to produce results.

Some managers are planning important changes in utilization of floor space. Similarly, jobs are being analyzed to make possible the elimination of dispensable non-selling functions, to increase percentage of sales-producing employees.

Indicative of the urgency of the problems created by the price decline and shared by practically all types of stores is the fact that, even in 1929, department stores as a group showed comparatively small net profit. According to the Bureau of Business Research, Harvard University, 189 department stores with annual sales of less than $500,000 reported net gains from all sources averaging 4.8% on net worth; 132 stores doing from $500,000 to less than $2 millions averaged 7.2%; 123 stores with annual sales above $2 millions averaged 8.5%. Net gain on net sales for all 3 groups averaged 2.97%.

EX- PRESIDENT

Bernard Lichtenberg of the Alexander Hamilton Institute (left) the retiring president of the Association of National Advertisers, and Lee Hastings Bristol of Bristol-Myers (Ipana, Sal Hepatica) who was elected Nov. 12 at the convention in Washington

Utility Sales Executives Make 1930 Record Year

SUPPORTING the contention that business has needed "Sell Now" campaigns for its own good rather than "Buy Now" appeals addressed to the public, many utility companies are entering the holiday buying season with sales quotas for the year even now buried under an avalanche of new record figures.

Outstanding is the performance of New York Power & Light Corp., with headquarters at Albany, serving 31 communities in central and northern New York, with 550,000 customers on its lines. Tabulation of its sales of gas and electric appliances covering 1930 performance up to November reflects the effectiveness of its campaign. Since quotas were established before effect of the stock market collapse could be appraised, the results are the more remarkable.

Sales of automatic electric water heaters through all 31 offices exceeded the quota for the year by 50%. Electric range sales, each involving expenditure well above $100, are already 58% over the top, still going strong, sales being stimulated by a rate reduction put in effect during the first half of the year. Commercial refrigerator sales are 20% over quota; domestic refrigerator sales just meet quota requirements.

In highly competitive cities such as Albany, Saratoga, Oswego, the year's quota of radio sets is already exceeded by 10% to 32%.

Contrary to general opinion, electric washers can still be sold in formidable quantities; 5,000 were sold by this company in 10 months.

Similarly imposing figures on appliance sales are reported by New England Power Association and Canadian Hydro-Electric Corp., Ltd., both subsidiaries of International Hydro-Electric System. Total appliance sales of those systems ($1,722,000) for 9 months were just 25% higher than 1929. Sales of electric ranges, refrigerators, washing machines made up 65% of that total dollar volume, on which 3 items in 1930 sales were 39% over 1929. In numbers, 1633 more were sold in 1930 than in the same period of 1929.

New York Edison Co. and its subsidiaries, serving the New York metropolitan area, report sales for first nine months of 1930 just 54% higher than 1929.

Wide World

THE MILKY WAY

The Rotolactor, Walker-Gordon's bovine merry-go-'round at Plainsboro, New Jersey, was dedicated with the aid of the Secretary of Agriculture and the governor of New Jersey. Cows (1680 of them an hour) get on the moving platform, are laundered and milked by machine in 12 1-2 minutes—one revolution. Henry W. Jeffers, president of Walker-Gordon, points out interesting features to visitors in the glass-walled promenade

Drug Stores Get Ready For the Microscope

DESIGNED to dig out the facts on methods and costs of retail drug stores, the National Drug Store Survey, at St. Louis, Mo., will begin Jan. 1.

The drug industry has agreed to furnish $50,000 for the work; will cooperate through 30 trade associations. The Merchandising Research Division of the U. S. Department of Commerce will be actively in charge of the survey.

More than half of the total survey fund ($26,300) will be spent in studying inventories, movement of stocks, expense analyses, time studies, fountain and prescription sales. Merchandising operations of 1931 will be put under the microscope. Druggists' relations with suppliers, wholesalers, manufacturers will be analyzed. Studies of consumer-demand, markets, store location, and credit complete the schedule.

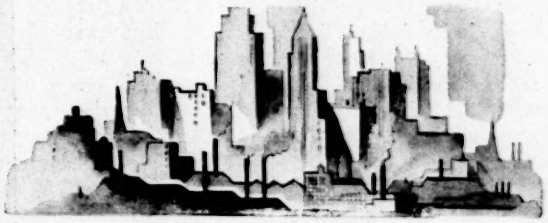
The drug store has become a vitally important retail outlet for a vast variety of merchandise. Facts to be obtained through the forthcoming survey are expected to form the basis for systematic elimination of wasteful practices, improvement of merchandising efficiency, and enhancement of the drug store's effectiveness as an economical outlet.

Firestone Builds Biggest One-Stop Service Station

FIRESTONE TIRE & RUBBER CO. is building in Detroit the largest one-stop automobile service station. It will cover a city block, handle 100 cars at a time; sell gas, oil, rims, tubes, tires, batteries, accessories. Service features include lubrication, lining brakes, repairing tires, washing. Four floors and basement will have 80,000 sq.ft. of floor space. The station should open April 15.

"A Motor Car Awaits You in California"

TO LURE back to the rails those who now drive their automobiles to the Pacific Coast so they may have a private motor car at their disposal there, the Northern Pacific Railway will institute



"Take charge of the Middle West next week"

A district manager for an Eastern shoe company was promoted to a bigger job. His salary increased. His surplus for investment increased.

But, his executive duties also increased. Between sales meetings, road trips and office work, he could devote less attention to his own holdings. Formerly he had "shopped around" among different investment houses. Would he save time and trouble by dealing with a single large investment organization?

WHAT he will find in National City service

CONVENIENT OFFICES.
National City offices throughout the world are at his command.

MARKET CONTACTS.
National City offices are in close touch with all investment markets.

INVESTMENT EXPERIENCE.
He will be dealing with an organization with a background of over a century of financial experience.

NVESTMENT RANGE.
National City's broad lists of securities are available upon request.

These and other requirements of present day investors can be met through your nearest National City office.

The National City Company

NATIONAL CITY BANK BUILDING, NEW YORK

INVESTMENT SECURITIES

a new service under the slogan, "A motor car awaits you in California."

By arrangement with the Hertz Drivurself organization, ticket agents will offer the California-bound traveler his choice of practically any make or size automobile to meet him when he leaves the train and be at his service as long as he desires. Rates range from $21 a week for a Ford to $65 a week for a Packard. The railroad makes all advance arrangements and aids the traveler in obtaining a license. Cars can be taken out in one city and turned back in another if desired. If stops are made on the rail journey to the Coast, the railroad will provide automobiles in each city visited.

Gaisman, Who Will Head Gillette, Is An Incorrigible Inventor

But Unlike Most Inventors, He Is a Shrewd Executive, as AutoStrop Success Shows

Bachrach

HENRY JAQUES GAISMAN

APPROVAL of the Gillette-AutoStrop merger, voted Tuesday by stockholders of both companies, ends what might have been a costly duel over patents and puts an entire new face on the important shaving industry. This fusion of the largest and the third largest companies creates an aggressive colossus which must be viewed with some dismay by the American Safety Razor and other rivals.

Technically it is a sale of the AutoStrop Safety Razor Co. to the Gillette Safety Razor Co. The fact that terms were more favorable to AutoStrop indicates that it was in a strong position in the suit against Gillette alleging infringement of patent on its Probak blade. But Gillette acquires a competitor whose sales were rising by leaps, and takes over executives whose merchandising prowess will revitalize the pioneer company.

First Loan Since 1901

Gillette stockholders voted to reclassify 198,731 shares of common, no par value, now in the treasury, into 310,000 shares of cumulative preference shares paying $5. AutoStrop stockholders voted to accept this on a share-for-share basis for the 310,000 outstanding shares of A and B shares in their company. In expectation of the event, Gillette bought in blocks of its own stock last summer at an average of about $79. (It has gone 'way down since.) At Tuesday's meeting stockholders voted a $20 million 5% bond issue to pay loans made to buy in the stock.

King C. Gillette, the 7-foot salesman whose invention founded the industry, probably knows nothing of all these things. He is seriously ill in Los Angeles—so seriously ill that his 75 years may make recovery impossible. Though still president, the title has an emeritus status. He retired years ago from active direction of the concern.

The company started in 1901 on $5,000 furnished by Gillette's friends. An additional loan of $60,000 that same year brought the first flood of dividends. The $20 millions in bonds just voted is the first money the company has borrowed since; expansion has been paid for out of earnings.

At Tuesday's meeting an irate stockholder rose to demand why Gillette "was paying $20,000,000 for AutoStrop with assets of $9,000,000." The chairman answered that he figured it at $16,000,000—$80 a share for about 200,000 shares. He added that AutoStrop expected to earn $2,000,000 for 1930, much more than enough to pay the $1,550,000 required for dividends on the 310,000 shares of 5% preferred.

The estimate of AutoStrop's assets may be high in view of statements at the end of 1929, showing them as $6,385,322. At the same date Gillette's assets totaled $57,115,796. In spite of the switch to a new razor and blade, and general choppy conditions, Gillette's net income is expected to top $9,000,000 for the year.

The irate stockholder's question as to why such a price for the AutoStrop was a repetition of one asked by a Gillette executive while merger negotiations were in progress.

"But, gentlemen," the AutoStrop spokesman is said to have answered, "I have a patent on your product."

That patent suit will never be decided since the merger will result in its withdrawal. Certain it is that Gillette now acquires the benefits of drive and resourcefulness, qualities which do not appear to their full value on AutoStrop's list of assets.

"One of our troubles," admits a Gillette executive, "is that we have had no problems to meet. Why, about all the board of directors had to do for years was decide how much of the earnings should be applied to dividends."

The New Head Man

In the list of new Gillette directors appears the name of Henry Jaques Gaisman, chairman of the AutoStrop board. While negotiating with Mr. Gaisman for the merger, bankers backing the Gillette group developed so much respect for him that it was decided to put him in charge of the combined company. What title he is to wear must be determined by later meetings. But there is no question as to his being the head man.

Like Gillette, Gaisman is an incurable inventor. Also like Gillette, Gaisman possesses a quality notoriously lacking in most inventors—shrewd executive ability. Mr. Gaisman is credited with the maneuvers which got Gillette on the flank. When the new Gillette razor and blade were an-

nounced last spring, Mr. Gaisman was ready with his Probak.

Probak is a synthetic word. It has no meaning. Reasons for its adoption were the fact that the AutoStrop company owned it and that it was a word likely to be pronounced the same in any land. A week before magazine ads announced the new Gillette, Probak advertising was inaugurated. The Probak is a good blade, it was adroitly advertised, it was well merchandised.

The Patent Fight

When the Gillette Co. answered rumors that its patent position was unsound by inviting lawsuits, Mr. Gaisman complied. His company had a patent on its blade. The Gillette company's position was "Patent applied for." Alleged infringement was on the cut-out center, not on the corners.

This Mr. Gaisman is 61 years old, of medium height, of benign mien. He lives in a Park Avenue apartment in a state of contented bachelorhood. To inquiring matchmakers he has voiced doubts as to whether any woman could live with him. The doubt applied to unconventional working habits and not to personal disposition. If he gets an idea in the middle of the night there is no more sleep for him.

In 1914 he made his first big strike. His friend, George Eastman, paid him $300,000 for the Autographic patent—by which one is able to write on a Kodak film a record of what was taken.

Blades Retain Identities

There will be some hefty problems to decide when he takes over the reins of the Gillette-AutoStrop combination. Some problems have been solved. For one thing, Gillette and Probak blades will be made and marketed as separate identities. Headquarters will remain in Boston, though Mr. Gaisman prefers to live in New York. Undoubtedly coordination will be effected both in manufacture and selling, a process that will throw somebody out of work. (Figuring has enabled them to estimate a possible saving of from $4,000,000 to $5,000,000 annually on account of the merger.)

Other engrossing problems must bide their time. Both companies are big advertisers. Gillette has factories in Canada and England; AutoStrop has factories in Canada, England, and Rio de Janeiro. Will these be combined? No anti-trust trouble is expected, since the companies will manufacture under patents, and even complete monopolies under patents are permissible.

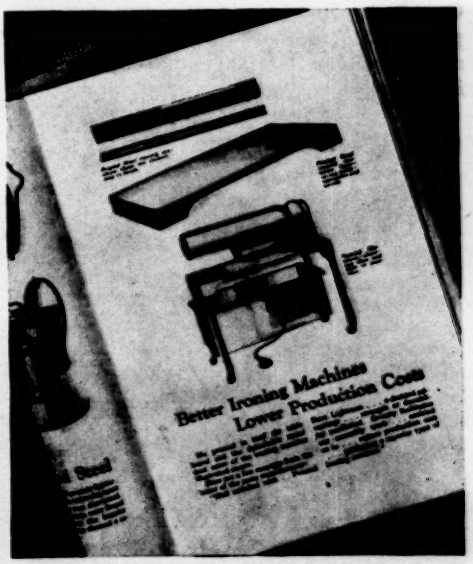
COSTS REDUCED

READ what one big Ironing Machine manufacturer says about pressed steel.

"Well satisfied . . . lightness, a decided advantage . . . has everything desired in strength and durability . . . greatly facilitates our assembly work . . . enabled us to reduce production costs . . . gives us a superior type of machine."

Many manufacturers . . . in different industries . . . have found equally startling advantages in the use of Pressed Steel. Eighteen examples will be found in the book, "Adventures in Redesign," showing how . . . weight has been reduced . . . breakage eliminated . . . strength increased . . . assembling simplified . . . eye value added . . . and new markets opened up with Pressed Steel.

You can easily take advantage of YPS Cost Cutting Service . . . without cost, without obligation. Send for this "Book of FACTS" today. **Pin the coupon below to your business letterhead.**



YPS

"PRESS IT FROM STEEL INSTEAD"

THE YOUNGSTOWN PRESSED STEEL CO.

The Youngstown Pressed Steel Company,
112 University Road, Warren, Ohio

Please send me a copy of your FREE Book, "Adventures in Redesign."

*Name*_____ *Title*_____

We Can Save on Eggs, So We Spend on Bacon

THE demand for bacon is above normal and prices are running slightly higher than last year. Chicago points to cheap eggs to explain it all; whenever this happens more bacon is eaten.

But exports of bacon are off. For the first 11 months of the meat year, Oct. 1, 1929 to Aug. 31, 1936, they were 12% under the record for the same preceding period, 36% under pre-war average. Chicago points to Denmark's bacon exports—this year 11% above last, 149% above pre-war average—to explain this.

The Bacon-Type Hog

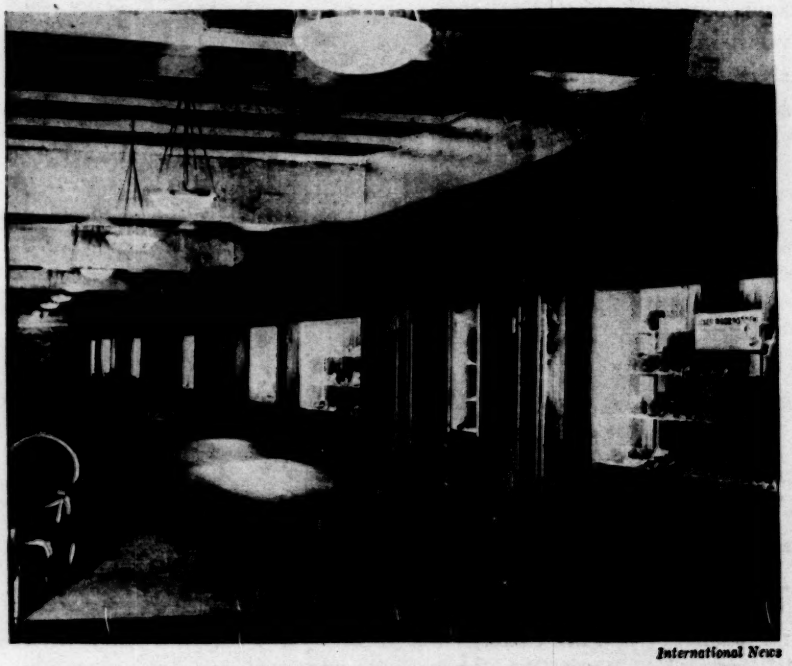
By the simple process of concentrating on bacon-type hogs the Danes have captured the bacon market in Britain, by far the largest importer. Practically all hogs raised in the United States are of lard type—Duroc Jersey, Poland China, Hampshire, Berkshire, Chester White. Lard is a surplus commodity, dumped for whatever it will bring. Occasionally lard sells for less per pound than do live hogs. Yet efforts made in recent years to induce American farmers to standardize upon a lean-meat, less-lard type of hog have been of little avail.

Danes raise two kinds of bacon-type hogs: the Landrace, a native breed; the Yorkshire, an English breed. Both are leaner than their corn-fed American cousins. For best results Landrace sows are bred to Yorkshire boars.

Denmark's hog population, war-depleted, was 1½ millions in 1921. On July 1 of this year it was almost 5 millions. Denmark today is the only country in the world with more hogs than people. Canada and the United States, ranking next in density of hog population, have one hog for every two inhabitants. But, while Denmark's hogs still number less than 1/10 of those of the United States, its pork product exports are ⅔ billion pounds as compared with the United States' billion pounds.

Rapid increase of hog production in Germany has been a feature of the past year. On Sept. 1, German hog population was reported as 23,400,000, a gain of 3,480,000 in 9 months. Russia is believed to have about as many, which is almost 4 times the number in Poland and France, next in order. The Soviets are not a factor in world pork trade—as yet. Argentina, Brazil, Australia, Poland, Czechoslovakia and Southeastern Europe are other hog-producing areas.

Price of hogs is about the same as a year ago, around 9¢. Following the drought, average weight is about 4% under last year. Runs at stockyards have been normal, animals better finished than many have expected. The federal forecast is for fewer hogs next year. Agricultural extension workers are urging farmers to breed more.



International News

DOUBLING UP ON THE CUSTOMERS

Berlin's newest movie palace, seating 3,000, has a row of stores on the inside promenade where patrons may shop while waiting for seats. With 5 shows a day, the stores have about 15,000 potential customers

Sears, Roebuck Joint Fund Pays Its First $400,000

SEARS, ROEBUCK'S offer to match every dollar raised by its employees for unemployment relief has borne its first fruits. A check for $400,000 was turned over to Philip R. Clarke, head of Governor Emmerson's $5-million unemployment relief drive on Nov. 19.

As further evidence of its intention to show the same leadership in this depression as in 1921, Sears, Roebuck has declared a regular 1% stock dividend payable Feb. 1 and another 1% payable May 1, in addition to its regular quarterly cash payments of 62½¢.

Employers Advertise To Allay Fear

SAINT PAUL employers announced this week in newspaper advertisements that workers will not be laid off unless unforeseen improbable conditions arise.

A large majority of the city's business and industrial concerns are taking part in this attempt to encourage employees to resume purchasing in normal amounts with the assurance that their pay checks will continue on a permanent basis. Employers joining are placed on the "St. Paul Honor Roll."

75% of the Radio Sets Are Regularly Used

ABOUT 75% of the radio sets installed in American homes are put to regular use; 26% of them are tuned in during weekly daylight hours; 48.6% during the peak hour for listening-in, 9 to 10 p.m. Thus the findings of 32,000 questionnaires through which 47 members of the Association of National Advertisers joined forces to obtain facts forces to obtain facts needed.

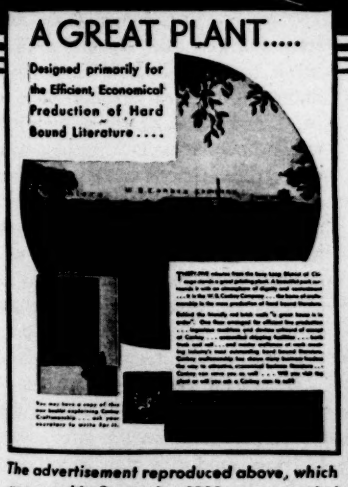
A GREAT PLANT....

Inside as Well as Outside....

Order within as well as without is the "order of things" at Conkey's.

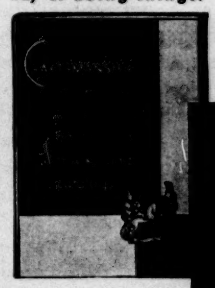
The composing room vista above bespeaks the order that reigns throughout. Production moving in well defined channels . . . equipment for book-making nowhere else to be found but at Conkey's . . . unexcelled shipping facilities coordinated with truck and rail . . . master book-makers producing the literature of industry and business.

Modern facilities and organization make Conkey performance possible. Visit the plant or ask a man to call.



The advertisement reproduced above, which appeared in September 1930, was accorded such favorable comment it suggested the companion advertisement shown here, descriptive of Conkey's inside greatness

Ask your secretary to write for a copy of this book explaining Conkey's way of doing things.



W • B • CONKEY CO•

Printers, Binders and Book Manufacturers

HAMMOND, INDIANA

A FEW OFFICES IN CHICAGO & NEW YORK

Pacific & Atlantic

AID NEW YORK'S JOBLESS

Left to right are William Hodson, executive director of the Welfare Council; Walter Gifford, chairman of the executive committee; Alfred E. Smith, chairman of the meeting; Homer Folks of the Committee of 100

Business Watches Relief, Weighs Remedies for Unemployment

Governor's Conference, New England Study, 5-Day Week in Motor Industry Get Special Attention

WHILE the President's committee on unemployment was making its guess at the total number of the country's jobless this week and the newspapers were crowding their columns with reports of new emergency relief measures, business was listening hopefully to suggestions on how to get a permanent grip on the unemployment situation, how to prevent its recurrence. Realizing that emergency measures are vitally necessary and highly praiseworthy, satisfied with the spirit behind them, if not always with the results, it found the big news in plans to prevent their ever again being necessary to the same degree.

Such news, added on to the reports of emergency activities, whose nature and trend have already been sufficiently indicated in *The Business Week*, came from several points during the week.

Governors May Meet

From Albany, Gov. Franklin D. Roosevelt of New York announced that he proposed to call a meeting of the governors of industrial states for a discussion of possible cooperative action in stamping out or, at least, greatly minimizing the peril of unemployment.

Conference discussions will revolve around 7 major suggestions: Extension of free employment agencies; development of the technique of handling public works to spread employment over dull periods; provision of a public reserve fund in good times to supply aid in bad; study of unemployment insurance to find a feasible program without resorting to a dole or to charity methods; standardization of labor laws; compensation laws and taxes affecting industry.

From Boston, the New England Council announced that the sixth New England Conference this week was devoting an entire session to a discussion of ways and means of promoting employment stability as a permanent policy, not a temporary stop-gap. Another session, on community development, had on its program discussion of cooperative methods to prevent and minimize unemployment along the lines followed by Cincinnati, Philadelphia, and a few other cities.

From Detroit, the Hudson Motor Car Co. spread the news that it has adopted the 5-day week as a permanent labor policy, after an exhaustive study of the economic and employment situation. Although short working weeks have long been common during slack periods of automobile manufacturing, Ford Motor Co. is the only concern in the industry which had previously made the 5-day week a permanent policy. Hudson's move is being watched by other automobile men who may follow suit.

Meanwhile, the country learned from Colonel Woods' committee that in September it had at least 3,400,000 unemployed; was disposed to stress the "at least," to remember that this is November. This total was based on the April census tabulation of those who reported they were wholly jobless—not just laid off—2,500,000—plus an estimate of the number who have regular jobs but were not working at them, modified to take into account month-to-month changes in employment since April.

Criticisms of the inadequacy of the census count, voiced at the time it was released (*The Business Week*, Sept. 3), were heard again this week.

Loan Companies Aid Jobless; Build Good-Will

INTEREST-FREE loans from $10 to a maximum of $50 become available this week to the "reliable unemployed" of about 200 cities through local operating subsidiaries of the Beneficial Industrial Loan Corp. Supplementary to other relief, these loans are being made to applicants certified by local welfare agencies, and on the joint note of husband and wife with no other security. They are to be repaid as soon as the borrower finds work, and the funds will be reloaned as long as need persists and the terms are met.

Beneficial Industrial Loan Corp., with operating subsidiaries, is the largest organization in the small loan field, lending amounts not exceeding $300 under the uniform small loan laws. Charles H. Watts, its president, recently was named a member of the New York bankers' unemployment relief committee by the chairman, Seward Prosser.

Britain Is Confident Of Averting Rail Strike

EUROPEAN NEWS BUREAU (*By Cable*) —All Britain denies emphatically that this month's wage disagreements between railroad operators and labor will lead to a strike. Both sides still have too vivid recollections of the effects of strikes to allow arbitration to fail again. However, the situation is serious.

The railway labor truce signed last March came to an end Nov. 12. Labor has, all fall, been planning to ask for increased wages, to demand a $15 minimum wage. Employers are equally exercised over present troubles, refuse to consider wage increases, are demanding reductions. In presenting their case they stress the falling off in rail traffic, the difficulty of maintaining high wages, the burdens still hanging over from the days of government operation, and the increasing competition of other forms of transport.

Ask for 7½% Cut

They cite statistics. Wage bills which totaled $235 millions in 1913, will surpass $575 millions in 1930. In England the general level of wages since 1914 has risen 75%, railway operating staffs have increased 120%, clerical staffs 100%.

Operators demand a wage cut of approximately 7½%. This would mean a saving of $40 to $45 millions. If a further cut in shopmen's wages is accepted, another $10 millions will be saved

Unions insist they will not consider a reduction of wages or adjustment of hours as proposed. They compare the proposed hours with the horrible conditions of 30 years ago.

Public With Labor

Public sympathy is on the side of labor. So far, only the lower wage groups are included in the reduction program. Salaried employers and directors are not included. It is generally expected that a compromise will be reached, probably at a wage cut of 5%, and possibly with salary adjustments in higher wage groups as in other British companies.

Economists and industrialists generally agree that the national wage level in both the railroad and mining industries must fall as a preliminary to any recovery of prosperity. Where the metal trade unions made the trial test in Germany and decided to cooperate with employers, the rail unions case is likely to set the precedent in Britain.

Let's Defeat These Advance Agents of Rust

PRODUCTS like screens, drip mouldings, switch boxes and dozens of others exposed to moisture, break down and wear out long before they should because ordinary metals cannot withstand, for any great length of time, the attacks of corrosion.

Our rust-resisting steel is a strip steel that is zinc coated by a special process that makes it highly rust resistant and is being used by screen manufacturers and many others to make their products better.

This special process is such that the zinc coating adheres so tightly to the surface of the steel that it absolutely will not crack, peel or flake while the steel is being formed into the shapes you require.

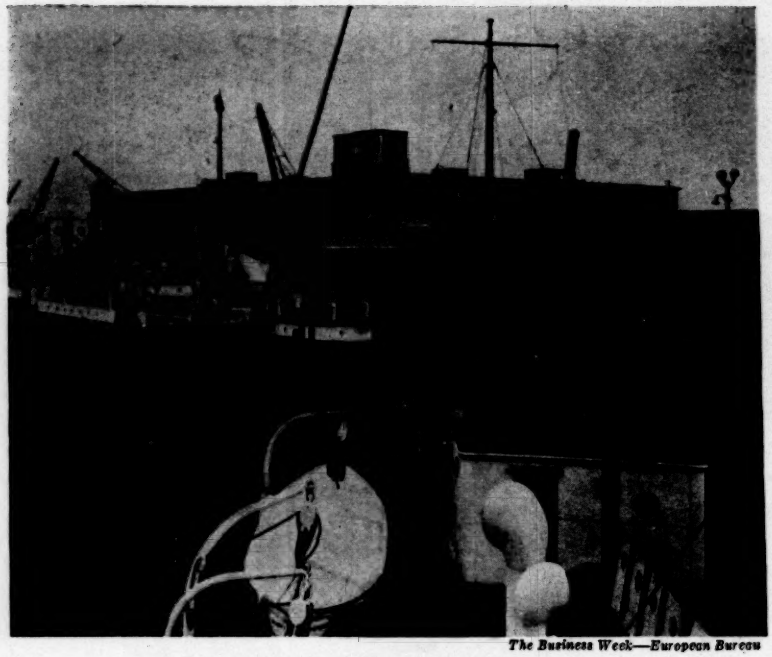
All of which means that this steel will help you make a better product or help cut your costs—or both. In any event it is a proposition decidedly worth your while investigating.

Comes in strips or coils, hot or cold rolled. Minimum camber. Widths ½" to 18"; thickness .008 to .083. Wider widths and heavier thicknesses upon application . . . Write for a sample . . . Make your own tests and see for yourself what this special steel can do for you. State gauge required.

THE THOMAS STEEL COMPANY
WARREN, OHIO

ThomaStrip

Electro Zinc Coated Strip Steel



The Business Week—European Bureau

POLAND'S BUTTER AND EGG BUSINESS

Gdynia, Poland's tenderly nurtured port on the Baltic, completes a new refrigerating plant and warehouse for frozen meats, butter, and eggs. Poland has won a major position in western European markets, notably in Great Britain

Europe Finds Foreign Trade Is Holding Up Surprisingly Well

While Value of Exports and Imports Declines Sharply, Price Comparison Shows Volume Loss Was Slight

EUROPEAN NEWS BUREAU (*By Cable*) Foreign trade figures from the leading trade countries of Europe for the 9 months ending Oct. 1 hold up surprisingly well. Government data—available from Great Britain, Germany, France, Italy, Spain, Holland, Belgium, Switzerland, and Czechoslovakia—reveal that the aggregate value of imports by the countries, compared with the corresponding period in 1929, declined 13.2%. Exports dropped only 11.6%.

Imports declined in value from $12,371 millions in 1929 to $10,730 millions this year. Exports dropped from $9,333 millions to $8,255 millions. The aggregate adverse balance thus declined from $3,038 millions to $2,475 millions.

Large as these adverse balances are, it is wise to recall that in most European countries the consumption of imported goods usually exceeds exports. Thus, in times of prosperity, adverse balances increase, while a business depression causes a narrowing of the gap. This year, a part of the decline is due to falling prices, rather than actual curtailment of volume. Because volume statistics from individual countries vary, it is impossible accurately to compare them.

However, a special composite wholesale index, based on the composite average of the index for the first 9 months in each of these countries, shows a decline of 10.9%, when compared with the monthly average for 1929. Granting that so general an unweighted index is not strictly applicable to trade, it can be noted that the decline in trade value only slightly exceeds the decline in prices, indicating that foreign trade volume is really very little below that of a year ago.

Countries experiencing the steepest declines of imports are Germany, Italy, Czechoslovakia, all 20% below 1929. In Italy, the decline is largely due to bumper crops and smaller demands for foreign foodstuffs. In Germany and Czechoslovakia, it is primarily due to restricted demands for raw materials, reflecting industrial letdown. Actual volume returns for Germany and Czechoslovakia show declines of 13%, compared with a 20% decline in value of imports.

French imports are down 15% in value, but actually up 3.5% in volume. For England, import values are down 12%. In the other countries, they range from a 6% drop in Switzerland, to 9% in Belgium.

Two Show Gains

Two countries show increased exports: Spain 13%, due to currency depreciation; Holland, 21% in value (unexplainable), and 2% in volume. Heaviest declines were in England and Italy, 19% in value in each case. French exports dropped 13% in value, 8% in volume. German dropped 10% in value, 5% in volume. Exports in the other countries ranged from an 11% drop in Czechoslovakia to a 14% drop in Belgium.

The first October returns indicate a good seasonal trade pickup in England (imports $61 millions, or 15% over September; exports $21 millions, or 10% up); and in Switzerland with imports up 13%, exports up 3.6%. In Germany, October imports are up $25 million, or 13%. Exports increased $14 millions, or 7%.

Foreign Trade Increases; Still Is Under 1929's

UNITED STATES foreign trade is showing the usual fall revival. Exports and imports during October, for the second consecutive month, increased slightly, were still far below 1929 figures.

Exports of $328 millions were 5% higher than in September, but compare with $528½ millions in October, 1929. Imports of $248 millions increased 9½%, were $143 millions below 1929.

United States foreign trade for the first 10 months fell nearly $2,196 millions below that of the corresponding period a year ago. Exports dropped to $3,280 millions from last year's $4,374 millions; imports from $3,751 millions in 1929 to less than $2,649 millions.

Only country among the 38 major trading nations to increase purchases this year was Russia. Exports to the Soviet jumped from $53,322,367 last year, to $91,768,531 this year. Pur-

chases from Moscow exceeded $18 millions, an increase of more than $1 million over last year's imports.

Only one other division of the world received larger orders from the United States this year. Central Americans jumped their sales from $35½ millions to more than $51 millions.

Largest declines loomed up in trade with the United Kingdom, Canada, Germany, Italy, Argentina, Brazil, and Japan.

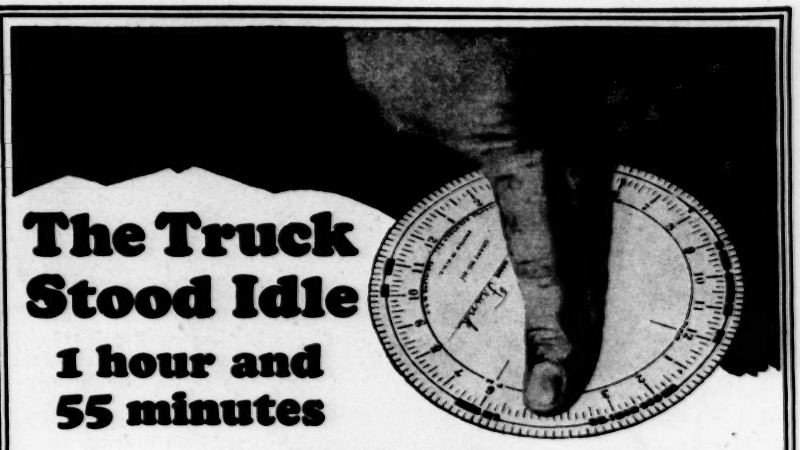
Sugar Salvaging Begins With Cuban Law Passage

WITH the passage Nov. 15 of the Cuban sugar law, American sugar growers scored their first success in the attempt to stabilize the world's sugar industry through international agreement to curtail production. Efforts now will be made to secure the cooperation of foreign producers. Negotiations are to open in Holland at the end of this month, first with the Dutch planters of Java, later with Central European beet sugar producers. The stabilization plan is directed by a committee of United States and Cuban citizens, with Thomas L. Chadbourne as chairman.

The new Cuban sugar law, based on the Chadbourne plan, calls for the immediate withdrawal from the market of 1½ million tons of Cuban sugar and for the restriction of Cuban exports to the United States. The amount to be segregated will be contributed pro-rata by all mills on the island and sold over a period of 5 years in markets other than the United States. Owners of the sugar thus withdrawn will be reimbursed in bonds at the rate of $4 a bag. Cuban exports to the United States on the next crop will be limited to 2,800,000 tons; exports of future crops are to be controlled by the rate of increase in American consumption. The United States producers, on their part, agree to maintain their production at the present level, which is slightly in excess of 3 million tons annually.

The World Situation

The measures adopted by Cuba will be an important factor in restoring equilibrium to the sugar market, which for the past few years has been suffering from overproduction and underconsumption. A recent estimate gives the 1929-1930 world sugar output as 26,821,466 tons and world consumption as 26,000,000 tons. While this shows a reduction of 458,445 tons from last year's output, there still is considerable



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excess over consumption. Of the total output, Cuba produced 4,671,260 tons, or 17%. The unsold stocks of Cuban sugar have been considerable; fear was expressed that by the first of 1931 they would greatly surpass last year's. Withdrawal of 1½ million tons from the market will bring the stocks not very far from normal. Future restriction of exports will prevent such overstocking as last year's.

Java's adherence to the stabilization program is desired strongly because of the prominent place she holds in sugar production. It is believed an agreement can be reached with her and the Europeans. There will remain then only the uncertainty as to Russian sugar; the fear of Soviet dumping.

Will Campaign to Increase Use of Creosoted Wood

A CAMPAIGN to promote the use of forest products preserved by creosote oil is to be instituted by the Southern Creosoters' Association according to R. S. Manley, vice-president of the organization and president of the Texas Creosoting Co.

The role that can be played by creosote in forest conservation will be stressed in the campaign. The total quantity of wood treated in 1929 was 362 million cubic feet, an increase of 21 million (8%) over 1928. Railroad cross ties constitute the bulk of timber treated with preservatives.

Mexico has already recognized the importance of wood preservatives in forest conservation; has a law which provides that all timber placed in the ground must be treated. Although such a law has been urged upon Congress from time to time by various groups, little headway has been made.

Creosoting specialists point out that large amounts of money are being spent yearly in construction of costly bridges of steel and concrete, maintain that bridges of treated timber would serve the purpose equally well.

Sumatra's Raw Rubber To Detroit, All By Water

U. S. RUBBER CO. is shipping raw rubber from Sumatra to its main tire plant in Detroit by an all-water route. Savings are considerable. Shipments since May 20 have been 46,000 cases.

From ocean freighters at New York, the rubber moves by motor barge to Buffalo, thence by lake boats.

Empire Free Trade Died With the Imperial Conference

London Critics Now Say Only a Tariff Government Can Make a Success of the Ottawa Meeting

LONDON (*By Cable*)—Though politicians argued over the fine points of dominion status long into the night of the closing session of the Imperial Conference, Englishmen throughout the empire some time ago unanimously agreed that the conference was a failure. The only economic conclusion at which this meeting of dominion premiers and British officials arrived was negative: empire free trade is definitely a dead issue. It is true that the door is left open for special preferences between Britain and the dominions or between the various dominions. It is true, too, that some optimists still look for real accomplishment at the conference to be held in Ottawa next year, but people on the inside in London know that no such progress can be expected unless Britain elects a tariff government.

London is bitter in its criticism of the MacDonald government. It is accused of wasting an opportunity; of entering the conference inadequately equipped with alternative plans to meet those advanced by dominion premiers.

The immediate significance of the Imperial Conference to the Britisher is thus in the new political policies which the conference has developed. The events of the last month promise bitter excitement when the country's 3 major parties go to the polls.

Tariff Sole Issue

It is possible, but highly improbable, that Labor can avoid a general election until spring. The public is inclined to expect it soon after the close of the India Round Table. The issue over which the election will be fought is the tariff. And the outcome, confidently anticipated in well-informed business circles, is success for the party supporting a tariff.

Party policies, while still shifting, have taken sufficiently definite shape to outline. Labor, represented by Ramsay MacDonald and the hard-hitting Philip Snowden, stands firm against tariffs. The Liberals, headed by Lloyd George, will welcome a re-examination of the bases of Free Trade, but with the avowed certainty that such examination will strengthen rather than weaken British faith in free imports. Stanley Baldwin, re-confirmed Tory leader, after many rapid shifts has arrived at this program: (1) an emergency tariff on manufactured goods; (2) a wheat quota system with a guaranteed price; (3) anti-dumping measures against foreign fruit, vegetables, and bounty-fed oats; and (4) negotiations on further preferences with the dominions.

The Tories will tread no royal road to victory despite their decision to support an "emergency tariff," which 7 years of increasing unemployment and economic distress has forced to the serious attention of Britain's harassed voters. Largely dependent on outside sources for food supplies, the voter will always listen twice to the campaign speaker who warns against a food tax.

Quota Plan Unpopular

Quota systems will cause trouble for they are unpopular with all Britain. They are suspected of being a form of Socialism and the lever for the introduction of a horde of parasite bureaucrats and inspectors. That both Baldwin and MacDonald now favor a wheat quota makes the ordinary voter even more suspicious.

So the accomplishments of the Imperial Conference simmer down to a few devitalized fragments, but the escaping steam has set off a new political campaign. On the outcome hangs Britain's future foreign trade policy. Will centuries of free trade go by the board? Business confidently expects a rally for protection—a sporting try at a long-snubbed policy, but "only as an emergency measure."

International News

SCORE: BRITAIN 0—DOMINIONS 0

Ramsay MacDonald (right) and Premier Forbes of New Zealand at 10 Downing Street during the Imperial Conference

Hope Round Table May Win Back India Trade

LONDON (*By Cable*)—British business, familiar with the color and pageantry of the Orient since the early days of the East India Co., refuses to be dazzled by the magnificence of the Indian princes and officials who have assembled for the India Round Table Conference. Grim economics hover in the background.

What the business man wants to see develop in the conference—and this

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wish is not confined to Britain—is some assurance that India will settle down and become a trading entity again. Old time familiars naturally believe that if the Indian extremists prefer the spiritual satisfaction of violent or non-violent revolt to the material benefits of British rule, such as the provision of irrigation, the elimination of famines, the suppression of local tyrannies and exploitation, the Indian trade cannot revive. If cooperation for a single aim is achieved, whether that aim be a unified India or a collection of autonomous states, business will be restored. Even after a week of discussion with unexpected unity of demand from the Indians, business quite frankly doubts if the conference can attain to anything like wholehearted cooperation.

Demand Dominion Status

Though it presupposes the amicable adjustment of a thousand touchy details, the demand of the Indians is for complete dominion status on an equal footing with Canada, Australia, and the rest. This means the planning of a federation to embrace 70 million Mohammedans, and more than 200 million Hindus, besides minorities including Buddhists, Parsis, Indian Christians, and Sikhs. Besides India proper, there are 560 Indian states, ruled by native princes, to be molded into the federation.

With a population of 318 millions, India has 2½ times the potential customers offered in the United States, nearly 9 times the population of the United Kingdom. Of India's annual imports of $400 millions, 43% come from Britain. Unrest and the boycott have caused a steady falling off from 63% before the War. Japan has taken advantage of the boycott, has made serious inroads in the cotton piecegoods market, is sending Bombay and Calcutta an increasing volume of machinery, paper, glassware. Germany is cutting in on dye materials, hardware, machinery, brass, and paper. Belgium is winning an increasing share of the iron and steel orders.

Failure a Disaster

Almost certainly no action by the India conference will immediately affect this trade with Britain. However, success in meeting enough of the demands of the Indians to re-establish goodwill might go far in winning back a larger share of India's trade. Complete failure, on the other hand, almost surely would mark the beginning of the end of any large volume of profitable trade.

Swift Survey of Business Abroad

EUROPE

EUROPEAN NEWS BUREAU (*By Cable*)

Underlying conditions, prospects for the business future, and present sentiment in most lines of business continue gradually to improve. Here and there improvement has already been translated into actual gains, though business as a whole is quiet. The brightest feature in the entire outlook is the marked increase in October foreign trade in all foreign countries which have so far reported. This encouraging pickup of trade is distinguished by large raw material imports, with a few gains in export of manufactured goods. Except for the weakness of copper after the recent price spurt, commodity markets range from quiet to strong as in the case of rubber and wool, with jute significantly firming. The coal and metallurgical industries are still at low ebb but manufacturing is somewhat more active. Textiles, rubber, and engineering industries are leading in this new move.

Money Markets Quiet

Money markets are momentarily featureless. France has ceased withdrawals of foreign deposits, which has helped the easing of money on German markets. England is marking time awaiting further developments respecting the expected war loan conversion. Exchanges are quiet. The only important loans are the Kreuger & Toll loan of $32 millions to Poland against the 20-year extension of the match monopoly, and the rumored extension of an $8 million acceptance to Roumania from France. Bankers look on this initial loan as the forerunner of a more substantial farm mortgage loan to Roumania.

The most significant financial development of the week is the move which has been made by the International Bank to extend rediscount credit through certain central banks from 90 days to 4 or 5 months. Obviously this move is intended to benefit especially Eastern Europe where existing credit facilities are limited largely to 90 days, though longer term credits are badly needed.

Poland in Strong Hands

In Spain, another strike has broken out, the strikers espousing the cause of democracy in opposition to dictatorship and the monarchy. Diametrically opposite is the movement which reached its maturity in Poland this week where farcical elections established Marshal Pilsudski in virtual control of the parliamentary machinery. On the whole, business is inclined to welcome this strong central authority in Poland as a sign for the good. Since the reestablishment of Poland as a nation and a republic, its essential weakness has been its failure more rapidly to realize on its immense natural resources. This, it is recognized, has been due to internal political disintegration. Whatever Pilsudski's methods in placing himself in power, his administration is expected to be directed toward internal economic consolidation and firm but moderate policies towards Germany and Russia and towards the problems of national minorities within the country proper. It is interesting to note that Pilsudski's achievement of control coincides with the expiration of the services of Charles Dewey, for 6 years American financial adviser to Poland.

Chancellor Bruening, in Germany, is affording the finest display of national leadership of any statesman in Europe. He is forcing consideration of his 30 interlocking bills, designed to establish budget equilibrium, before the Senate so that they may be presented to the Reichstag as a coordinate whole when that body reconvenes on Dec. 3. Meanwhile, remarkable progress is being made in reducing internal price levels which are to be followed by proportionate reductions in wages and, it is hoped, in the inconsistently high farm tariffs. If successfully carried through, this will constitute the first example in modern history of a coordinated scaling down of relative values by deliberate design and imposed management rather than by a destructive interplay of uncontrolled economic forces. In the case of Germany such achievement strikes to the very roots of German well being since, under the post war reparations burdens, Germany is more than ever dependent on her competitive export ability.

England Faces Issue

England is facing this same issue of real versus monetary wages. Rail wage agreements expired Nov. 12. Reduced hours in the mining industry become effective Dec. 1. Both railway managers and coal operators claim that wage reduction is essential. Labor is expected to resist, to point out that living costs are down but 5% below a year ago

Pacific & Atlantic

PULLING GERMANY OUT OF FINANCIAL DIFFICULTIES

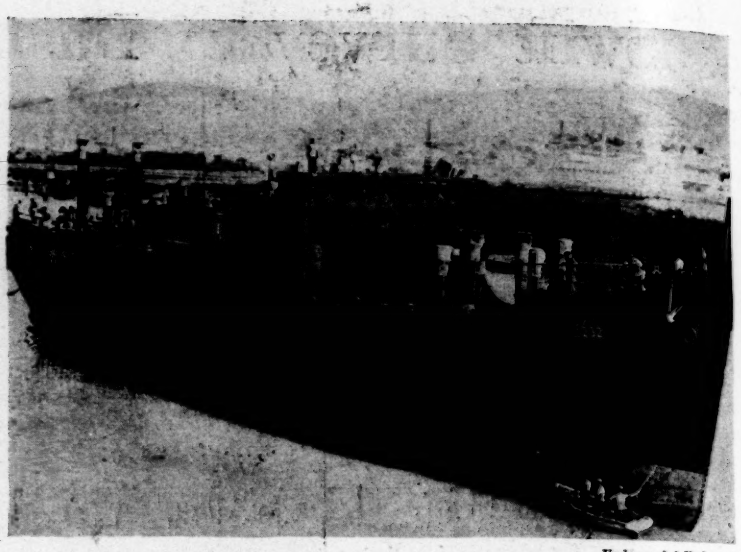
Chancellor Bruening (standing) speaks to the members of his cabinet on the program of financial reform which comes before the Reich in December

though the wholesale average has dropped 18%.

In France, the Tardieu government has met and successfully survived the long gathering political crisis. France is unquestionably entering a period of economic stress from which the rest of the world shows signs of convalescence.

Tariff Truce Up Again

The second economic conference has opened at Geneva with 26 European and 6 foreign nations represented, but whereas many commerce ministers attended the first conference, the present delegates are primarily secondary officials. The object of the conference is to promote agreement on the tariff truce and treatment of foreigners. Original conventions were drawn up last spring but are still unratified by the majority of signers. Of equal importance is the joint proposal from the Balkan and Eastern European countries that the blanket interpretation of the most-favored-nation clause be modified to permit regional derogations. It is doubtful, however, if the conference will achieve more than academic significance since under prevailing unsettled world conditions, any attempts to evolve a uniform and binding world trade policy limiting the freedom of action of individual countries would appear premature.



Underwood & Underwood

RUSSIA BUILDS A MERCHANT MARINE

The "Vladivostok," first ocean bottom in the merchant fleet expansion program of the Soviets, is launched in Italy. British and Swedish shipbuilders have already turned out tankers and modern river boats for the use of the Russians

Wage Problems Offset British Trade Gains

LONDON (*By Cable*)—Actual business is still depressed but a brighter tone animates all markets except coal, iron and steel, cotton, hides, and oils. Iron feels the continental price competition following the recent dissolution of the continental iron (as distinguished from the continental steel) cartel. This is reflected in lower October production figures. Steel is showing more activity. Largest domestic demand is for the construction of implements, machine tools, and accessories. Metals are quiet. Cotton is momentarily slack, but wool continues active with prices strong and the turnover in tops heavy. That which is most encouraging is the continued improvement of jute since the first pickup in October. Although the jute trade is still far from normal, prices for the fibre have hardened, and supplies of prime qualities are not overplentiful. Because of the importance of jute as a wrapper, it constitutes a barometer of general trade. October wheat imports were 17% below 1929. Rubber shipments and stocks are declining, although the latter are still 75% above those of a year ago. Both exports and imports for October increased over September.

The railway wage dispute is coming to a head. Definite proposals have been made to cut wages 7½%. This would allow a saving of more than $8 millions. However, labor is preparing to resist and is supported by public sympathy since it is generally understood that wage cuts are to begin and end in the lower wage groups, leaving the directorate and high executives untouched. Railroad stocks fell heavily on the expectation of a fight.

A bill to create a Consumers Council has been presented in Parliament. It involves the expenditure annually of $100,000 for investigation by the Council of questions of production and distribution. On a basis of these studies, prices on articles of food, apparel, clothing materials, and fuels would be made a basis for proving to the Board of Trade when price abuses exist.

New Finance Laws Follow French Failures

PARIS (*By Cable*)—Business disturbances, occasioned by the recent epidemic of bank closures, may be considered terminated, but the general trend of business continues downward. Contraction of activity is reported to be particularly marked in the metallurgical and automobile industries. The metal fabricating and engineering branches continue well occupied. Activity in the textile mills is irregular. Wool is fairly active. Cotton is holding its own. Specialty branches—furniture, cloth, hosiery, and lace—are at low ebb. Unemployment is still negligible but a steady definite increase in registered unfilled applications for work and subsidized unemployed has been noted since August. Domestic price levels continue to resist world pressure. After dropping slightly in October, the first half of November has registered an upturn.

Sales Tax Returns Off 14%

October sales-tax returns, affording a general index of commercial activity, were 14% below those of a year ago. Carloadings for the first week in November dropped 7.4%.

A syndicate of 15 banks has subscribed to a fund to refloat Banque Adams, largest institution involved in the recent closures. Arrangements are progressing to reopen others. One beneficial effect of the recent difficulties is the speeding up of plans to reorganize the Paris Stock Exchange. An agreement has been reached on reforms which will bring both exchange and curb brokers under unified control, whereby they will be subjected to minimum capital requirements ranging from $80,000 to $200,000, to periodic control operations, to obligatory con-

tribution to a joint fund guaranteeing commitments, and to heavy fines for infringement of these rules.

Speed Security Approval

The government has tabled two bills of considerable financial importance. The first governs an organization which will control investment trusts and would remove several obstacles heretofore hindering development. Of associated importance, though not legislative in character, are the simultaneous steps which have been taken to expedite government approval of foreign securities for admission to quotation on the Stock Exchange. This seemingly archaic and unsuitable government function, established during the war, has not been abandoned but a more rapid procedure has been devised which will make authorization within a fortnight possible.

The second bill contemplates an interesting change in the customary status of bond owners by according owners a collective voting right on matters affecting their specific interests, notably in the event of new financing. Bond owners would thereby be accorded certain prerogatives formerly reserved to shareholders without being obliged to undertake shareholders' responsibilities.

German Foreign Trade Increases in October

BERLIN (*By Cable*)—German business is looking in vain for the silver lining which will indicate industrial recovery. Most current indicators are at a low ebb. The general production index computed by the government bureau of business research for September was 81.6. In the peak month—April 1930—it reached 95.8. Total industrial production for the first 9 months of 1930 was 13% below last year. This decline of industrial activities is supported by figures for the sales of electric current which, despite a seasonal increase in the daily average from 3,970,000 k.w.h. in August to 4,030,000 k.w.h. in September, shows a falling off of 14% for the 9 months. Machine builders are working at 48% of capacity and an average of 43 hours a week. There has been almost no seasonal pickup in activity. Even the toy industry has booked only 60% of last year's volume of orders. Steel output stopped its downward movement in October, and shows a slight production increase over September of 1.3%. The only bright spot continues to be the favorable development of foreign trade. Exports in October increased 7%. Biggest gains were by machinery and chemicals. Imports gained 13% but the trade balance still favors Germany, with the surplus totaling $57 millions.

The money market continues to be easier. The private discount rate has declined from 4⅞% to 4⅝%; call money from 6%-8% to 3½%-5½%.

Germany's price-wage reduction program is meeting with unusual success. Price reduction measures already in effect include coal, 6%; rolling mill products, 3%; lumber, 17%; cement, 10%; bricks, 15%; windowglass, 22%; tiles, 35%; branded foodstuffs, including macaroni, malt, and coffee, 5% to 20%; rubber tires, 10%; linoleum, 5%; paper, 10%. The Bruening government is now hammering at retail food prices and general living costs.

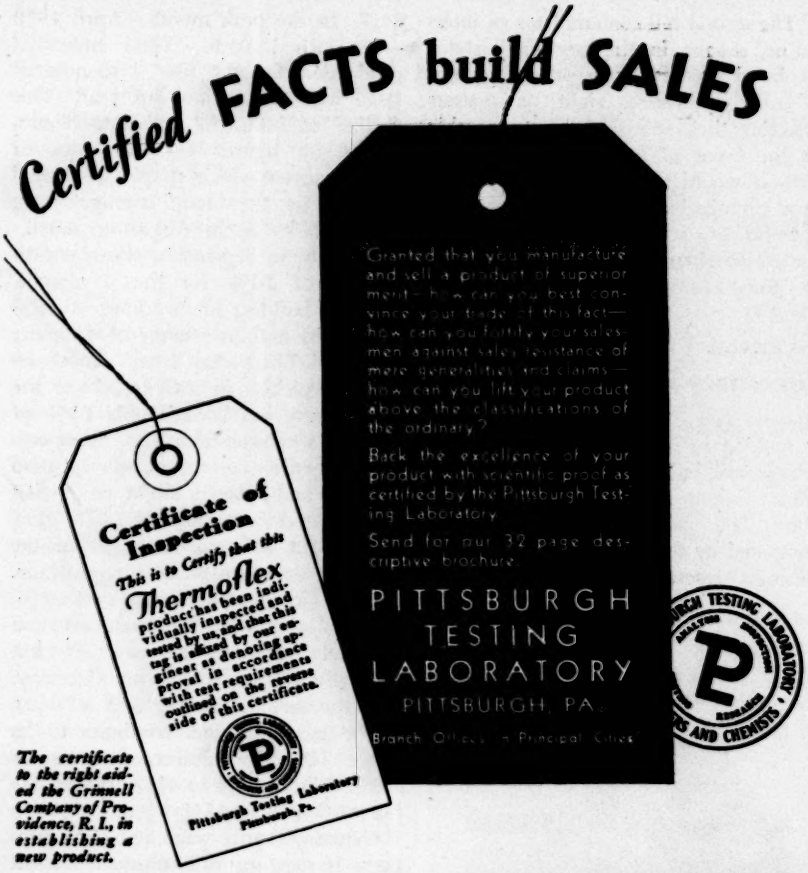
Photo—Piet

POLAND'S BOSS

Marshal Pilsudski (right) with his Minister of Foreign Affairs, August Valeski. Because his party had only 118 seats in the lower house of the Sejm, Pilsudski adjourned it last August. The fall elections gave him 248 seats, a majority, and confirmed his dictatorship

Increase in Savings Improves Italian Outlook

MILAN (*By Cable*)—A more cheerful tone is noticeable in the Bank of Italy's statement for Oct. 31. Sight obligations showed a slight decrease and the cover on liabilities increased from 56.41% to 57.44%. This quiets, for the time being, the rumor that Italy is contemplating devalorization of the lira. Foreign trade is down slightly but the long-term balance between imports and exports is more favorable. Unemployment has increased, but this is due largely to a seasonal letup among agricultural and building workers. Probably the most optimistic factor in the present situation is the growth of deposits in government savings institutions from $470 millions in 1920 to $850 millions in 1930. The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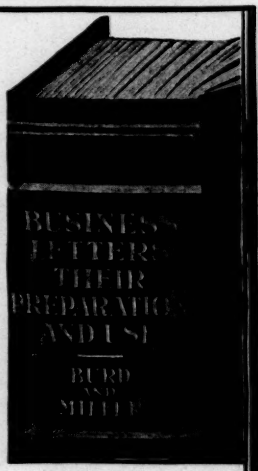

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government treasury has been subjected to a further drain of $2 millions for earthquake relief and rebuilding, but large receipts are expected from the turnover tax and grain duties.

While October foreign trade figures are down and show a less favorable balance of trade this year than last, the totals for the first 10 months of this year, compared with 1929, maintain the decrease in unfavorable balance toward which Mussolini is working.

The unemployed on Oct. 31 numbered 446,496, of whom 119,100 are women. This is an increase of 51,866 over the September total.

Latin America Slack; Ford to Build in Mexico

BUSINESS in most Latin American countries is inactive. Cuba is unsettled, but recent visitors to Havana anticipate no revolution. With the Chadbourne sugar plan voted by the legislature, the country is getting ready to carry it out.

Mexico is alarmed over the continued drop in the value of silver. Despite efforts made by the government and banks to support the peso by withdrawing 10 million silver pesos from circulation, the silver peso was quoted this week 15% below the gold peso, the normal difference being only 3%. The report that the Ford Motor Co. has announced that it will begin construction in January on an enlargement of the Mexico City assembly plant to increase capacity from 30 to 100 cars daily is received with enthusiasm. Nearly $1 million will be invested.

Chilean business, though sound, is slack. To protect domestic industry, the government is contemplating an increase of 35% in the tariff on all competing products.

Labor difficulties in the Peruvian mines add one more gloomy factor to an already bad business situation. Business confidence in Peru is rapidly decreasing.

Brazil is quiet with all interest focused on Dr. Vargas' moves to return the country to normalcy. With the favorable balance of trade in the first 6 months scarcely equal to one-third the amount required to meet foreign payments for interest on loans, the situation is not easy. With this large deficit on foreign exchange, the country will be forced to ask for new loans unless gold shipments can be resumed and imports drastically restricted. It is already rumored that London has been asked to make a large loan to Rio.

What the Figures Show

THE last few weeks of 1930 seem destined to show a virtual standstill in business activity. Production, employment, and trade continue to compare unfavorably with preceding weeks and have small chance of improvement in the midst of prevailing hesitation. Announcement by the government of a 2% decline in wholesale prices for October from September confirms the trend forecast by the weekly indexes. Hope of greater stability in prices appears chiefly in steel, copper, and cotton markets. October foreign trade shows slight but steady improvement over the preceding two months. *The Business Week* index of general activity has again moved downward to 78.2% of normal compared with the revised figure of 79.5% for the preceding week and 101.3% a year ago. The declining trend of building activity for the past four weeks, coupled with the lack of any strong support from other trade and production indicators, is largely responsible for the decline in the index.

Steel Production

Steel ingot production is estimated at approximately the same level as the preceding week by both Dow, Jones and the *Iron Age*. Though the seasonal expectation of steel production is downward toward the close of the year, the adjusted index of steel activity remains practically unchanged at 58.9% of normal compared with 58.8% the preceding week. The steel industry expects little change in the status quo for the remainder of the year, its hopes being pinned on prospective demand from the railroads and automobile centers to materialize in the first quarter of next year. In the meanwhile, efforts are continued to stabilize steel prices as an incentive to the stimulation of orders which may have been withheld on account of constantly declining prices. Railroad orders are anticipated with the completion of financial arrangements for purchasing of equipment whereby 80% of the purchase price is to be underwritten at a low rate and 20% carried by the manufacturers on the instalment basis. Though conditions in the automobile industry are by no means uniform, the Cleveland district has felt the demand for steel for construction of new models for the 1931 trade. Structural steel awards and projects are both smaller than the preceding week, awards totalling 28,000 tons and anticipated projects totalling 45,000 tons.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
	*78.2	†79.5	101.3
Production			
Steel Mill Operation (% capacity)	43	43	71
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$10,710	$12,182	$14,301
Bituminous Coal (daily average, 1,000 tons)	*1,763	†1,691	1,913
Petroleum (daily average, 1,000 bbls.)	2,305	2,297	2,620
Total Electric Power (millions K. W. H.)	*1,845	*1,870	1,940
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	147	156	175
Check Payments (outside N. Y. City, millions)	$4,590	$5,088	$6,559
Money in Circulation (daily average, millions)	$4,498	$4,506	$4,846
Wheat Receipts (1,000 bushels)	7,426	6,823	5,952
Cotton Receipts (1,000 bales)	603	603	615
Cattle Receipts (1,000 head)	*193	†179	224
Hog Receipts (1,000 head)	*597	†518	580
Wool Receipts (1,000 lb.)	2,643	3,377	8,411
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.67	$0.71	$1.13
Cotton (middling, New York, lb.)	$0.111	$0.110	$0.173
Iron and Steel (composite, ton)	$31.86	$31.98	$35.97
Copper (electrolytic, lb.)	$0.110	$0.094	$0.178
All Commodities (Fisher's Index, 1926-100)	82.2	82.2	92.6
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,668	†$16,806	$18,115
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,763	†$8,721	$9,746
Brokers' Loans, New York Federal Reserve member banks (millions)	$2,185	$2,235	$3,587
Federal Reserve System Ratio	81.9	81.2	71.2
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	18,983	11,285	27,491
Stock Prices (N. Y. Times, average 50 stocks)	$156.38	$157.69	$179.69
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$54,023	$40,218	$82,213
Bond Prices (Dow, Jones, average 40 bonds)	$95.41	$95.83	$92.46
Interest Rates—Call Loans (daily average)	2.0%	2.0%	5.9%
Interest Rates—Time Loans (daily average)	2-2½%	2-2½%	5½-6%
Business Failures (Dun, number)	495	489	404

*Preliminary †Revised

While building contracts for the first two weeks of November run somewhat ahead of the last half of October, the volume is considerably below that of the first half. Our index of building operations, which is based on the F. W. Dodge reports of 37 states and adjusted for changes in costs, season, and year-to-year growth, declined sharply to 59.8% of normal compared with the revised index of the preceding week of 66.1%. Residential construction, while running about 6% below the daily average of October, is maintaining its relative position in the total awards.

Bituminous coal production fell off as a result of election day observance, but the daily average shows a steady rise. Hence, our adjusted index reached 78.8% of normal compared with 76.1% the preceding week. The usual seasonal demand has caused a sharp gain in employment and payrolls in the Pennsylvania anthracite region.

Crude oil production increased slightly, while industrial leaders call attention to the need of gearing production of both crude oil and gasoline to a lower maximum estimate of consumption.

Electric power production has declined for the second consecutive week, following the trend of 1929 and barely exceeding the output of 1928. Our adjusted index of this series declined to 90.9% of normal compared with 93% the preceding week. The September release of the Geological Survey indicates the heaviest decreases in power output in the industrial Eastern states, but conditions vary sharply from state to state, New Jersey showing a 48% increase, while South Carolina showed a 35% decrease.

Car Loadings Drop Aga'n

While the observance of election day was held responsible for the drop of 53,239 cars in freight traffic, it is doubtful if the trend would have been otherwise even without a holiday. November and December are usually characterized by sharp declines in car loadings. The present year is not likely to be an exception in this respect, though October witnessed less drastic declines that were expected in many quarters. Every class of freight was below that of the preceding week, the decrease being particularly severe in the miscellaneous division. As a result of the downward trend in this latter group together with that of the less-than-carlot freight, on which series our index is based, the adjusted figure for car loadings which has been treated for seasonal differences and year-to-year growth declined from 80.6% of normal to 77.5%.

Bank debits declined in every Federal Reserve district except New York and Philadelphia. In many centers, a 5-day week contributed to the smaller total of checks debited. The increase of check payments in New York City caused the total debits in 141 centers to be slightly above that of the preceding week, while a comparison of the 140 centers excluding New York showed nearly a 10% decline. The exclusion of the 10 financial centers from the 141 centers indicated that check payments were but 4.5% below that of the preceding week. Our adjusted index of bank debits based on the 140 cities outside of New York showed a slight rise from 85.3% of normal to 86.0%—largely as a result of averaging the adjusted indexes of two consecutive weeks to eliminate the fairly regular fortnightly fluctuations.

Money in circulation declined slightly, as is customary after the first of the month activity has subsided. The next week or two will probably show further declines, after which the demand for currency for holiday trading should create a sharp upward swing in this series until January. The expansion of this measure of wage and retail payments from July to January is usually near $400 millions. The fact that 1930 has shown practically no change since the mid-summer low corroborates the curtailment of productive activity, with its accompanying decline in employment and payrolls. Our adjusted index of this series declined fractionally from 99.6% of normal to 99.5%.

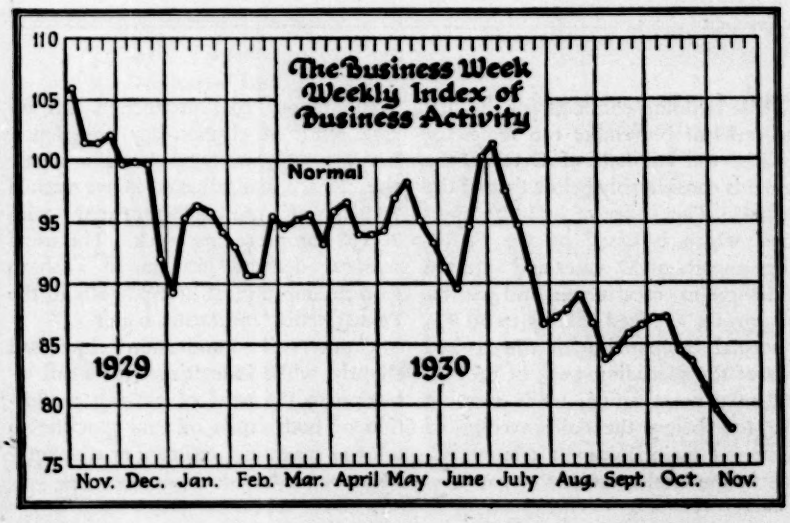
Commodity Prices

Agricultural marketing of commodities such as wheat and cotton confirms the report of a holding movement among farm interests. Receipts have been light, often below those of a year ago. Cattle receipts have been low the past two weeks, thus stimulating prices. Unfavorable weather and heavy marketing of hogs produced some declines in hog prices at a season when marketings are expected to be steadily rising.

While copper prices were reaching for higher levels on the expectation of curtailed world production, and steel producers are making a stubborn resistance to price cuts, the flurry in the world grain markets has caused considerable unsettlement. Cotton prices have fluctuated within a narrow range. The government ginning report to Nov. 13 will be ready this week, with the trade expecting a slight increase over the figures of last year. Exports now are behind those of 1929.

The rapid rise of copper prices during the week from 10¢ to 12¢ has virtually quelled buying in both domestic and foreign markets, with some tonnage being offered at less than the price quoted by major producers. Domestic supply on hand is estimated sufficient for five months. Manufactured copper products were also raised to correspond with the 12¢ level in copper, with the same result of sudden curtailment of buying.

The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.



Effect on Bank Credit

Bank credit expansion was curtailed largely as a result of a sharp decline in loans on securities. Investments and commercial loans have risen, though the increase in the latter still comes largely from the New York district. Our adjusted index of this series stands at 104% of normal against 103.6% the preceding week. These loans have now risen steadily since the end of August and nearly equal the level at the close of 1927.

Commercial failures continue to maintain a wide margin above both 1929 and 1928.

Money and the Market

THE financial week brought almost no changes in the securities or money markets. More than in any recent 7 days irregularity sans trend prevailed.

Stock prices reacted in expected fashion from profit-taking after 5 days of rising prices—rose, then hesitated again. Belief crystallizes that no sustained rise in security prices need be expected until business points definitely upward; conversely, that prices much lower than present levels are not likely unless business demonstrates inability to rally in 1931 and again elevates the bears to the throne.

This does not preclude interregnum movements of considerable breadth. Vacillations such as prevailed during the first 5 months of 1929 (see chart below) occur even with no trend. The market does not stand still.

Decline in Trading Volume

Trading volume in the market declined considerably from last week's levels. Confidence that decidedly lower prices are unlikely was indicated by some reductions in margin requirements by a few brokerage houses. Good class cash buying of stocks is reported, some foreign buyers are again in the market, and bank loans on securities directly to customers continue to rise.

Large declines in the market are most frequently followed by what the Street calls "periods of accumulation" during which prices have no trend. Whatever is to eventuate, nearly all advisers hold that there is no need of hurry in buying.

Suspension of another medium-sized member of the Stock Exchange this week had a minimum effect on prices, and repercussions of the Southern bank carnage in financial centers were few. The market seems braced for a moderate number of failures. Weaknesses of first magnitude continue to be rumored, but each day that passes without trouble adds to the belief that the reports are exaggerated.

Several groups of bonds reversed the downward trend in the week, but little more can be said of the market as a whole than that it is irregular. Small gains registered by high-grade utility, industrial, and rail senior issues were offset by further declines in slightly less desirable domestics and further declines in some sections of the foreign list, including a new low for the German International, or Young Plan, bonds. Nevertheless, change in direction of even some of the list is hopeful.

Federal Reserve credit outstanding declined a little as decreases in government security and acceptance holdings offset the $14 million increase in member bank borrowings. The member bank statement for the week was largely devoid of interest, registering a large decline in total security loans following the liquidation of brokers' loans and continued rises of commercial loans and investments.

Liquidation of loans on securities continued drastic even with the decline in stock prices halted. Brokers' loans were off another $50 millions to $2,185 millions, further below the all-time low record. The total decline since Sept. 24, exceeds $1 billion, indicating the severity of decline in marginal holdings of stocks with brokers.

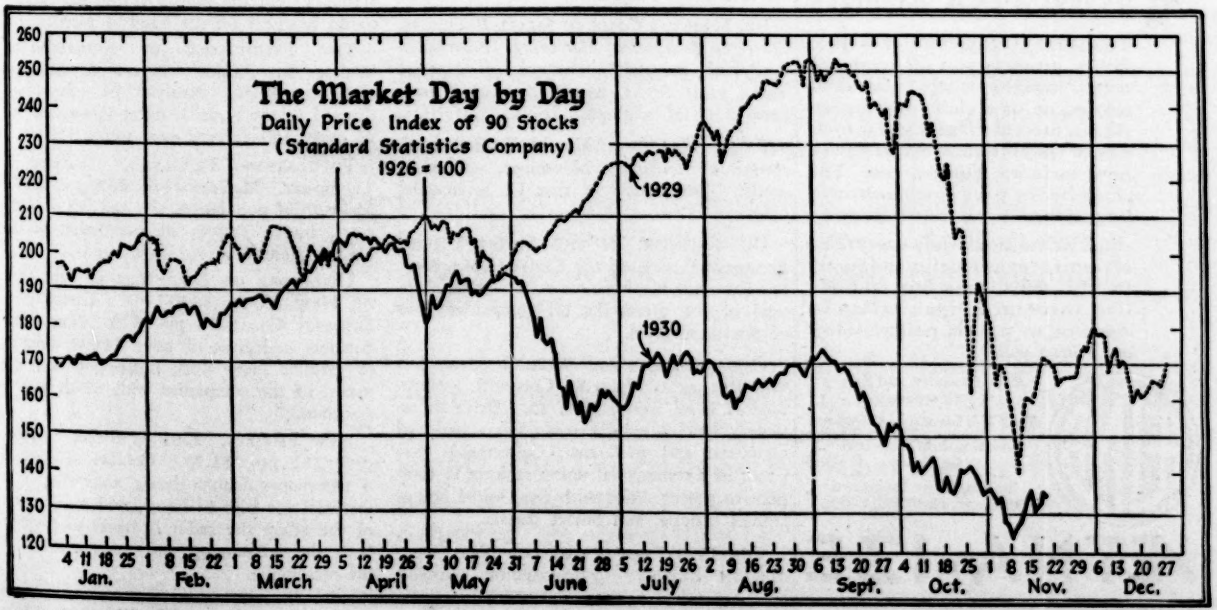
Commercial loans by banks continue to rise, now stand $338 millions above the low point of this year and are near their total at this time in 1927, though well below 1928 levels and far below those of 1929. The rise, of nearly seasonal proportions, has occurred largely in New York City.

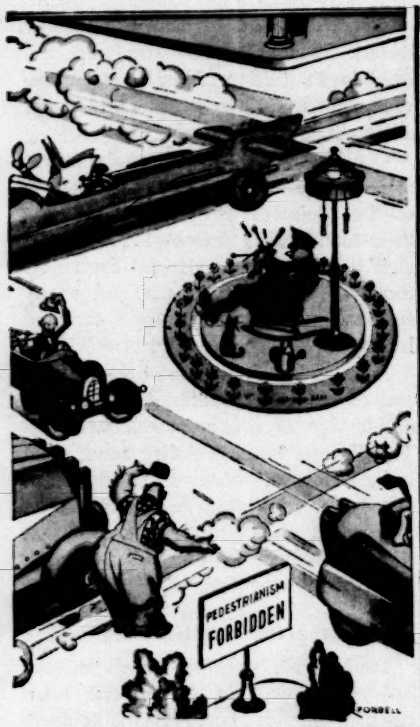
Money in circulation has not increased, though, counteracting the favorable sign of rising commercial loans. The Federal Reserve policy being what it is, failure of money to rise accounts largely for the failure of Reserve credit to expand, rise of money in circulation being the chief factor in Reserve credit expansion in the fall.

Bank Investments Rise

Banks have sufficient funds to take care of growth in commercial loans since commercial borrowing is at much lower level than in preceding years and is helped out by repayments from brokers. The surplus accounts for the continued rise in bank investments.

Reports come from abroad of negotiations for a gold credit to the Bank of England from the Bank of France, but are without confirmation. Loss of a large amount of bullion by the British institution this week indicates the need for such a step. Negotiations for French credit to Italy also are reported. Extremely important in economics, these moves, if consummated, would have interesting political repercussions also.





UNTIL THE MILLENNIUM

SOME day traffic officers will have nothing more to mind than their own knitting. Some day the flaws in human nature will vanish as the morning dew before the rising sun. Some day, but . . . *until the millennium*—Ætna-ize!

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Wide Reading

SYMPATHY AND SUGAR. Cyrus F Wicker, *Atlantic,* December. Few in this country understand the crisis which is approaching in Cuba, and in which the United States is closely involved.

THE UNREGULATED TAXICAB. Francis X. Welch. *Public Utilities Fortnightly,* Nov. 13. What the state commissions are doing about it.

WILL THE SAVINGS BANKS ENCOURAGE SPENDING? Arthur H. Little. *Printers' Ink,* Nov. 6. Probably, and soon. Conditions, particularly in New England and New York.

BACKING UP SCHEDULES WITH DOLLAR BILLS ATTRACTS MORE BUSINESS. F. H. McIntosh. *Bus Transportation,* November. Slips given to passengers by drivers in the event a coach arrives more than 75 minutes late are worth $1 at company offices.

COLOR AS A SALES BUILDER. F. Aumuller. *Postage and the Mailbag,* November. Tests and results.

RICHARD WHITNEY: A LEADER CREATED BY PANIC. Merryle Stanley Rukeyser. *Forbes,* Nov. 15. Spotlight on the president of the New York Stock Exchange.

THE BIRTHDAY OF THE SLUMP. John T. Flynn. *Forum,* November. Some suggestions to prevent repetition, including a 10-month work year, and larger salaries.

THE SPECTER OF RUSSIAN WHEAT. Alzada Comstock. *Reviews of Reviews,* November. A student of Russian affairs, after a recent tour, recognizes the real significance of Russian competition.

ARE YOUR PRICES REDUCING PROFITS? Frederick A. Smith. *Nation's Business,* November. It is possible, in a depression, to save money by selling at a loss; volume does not assure large profits; you can lose money by increasing your profit margin.

FEWER INDOOR CONFERENCES, MORE OUTDOOR WORK. *Electrical Merchandising,* November. A lean-year policy that helped the Northern States Power Co. to break its record for merchandise sales.

BIG MARKETS COME IN SMALL PACKAGES. *Class & Industrial Marketing,* November. Study of industrial structure of America shows great desert, with 345 counties handling 83% of total production.

PANEL HEATING. Harold F. Blanchard. *American Architect,* November. How it works. Description of first U. S. installation.

OIL REFINING IN THE SOVIET UNION. *Economic Review of the Soviet Union,* Nov. 1. Facts for the business man who is skeptical of the dread the oil companies have of Soviet progress.

ONE-THIRD OF THE WORLD'S TRADE IN THE BALANCE. John C. Cresswill. *Magazine of Wall Street,* Nov. 15. Drive to establish British empire trade on a basis of reciprocal and preferential agreements may result in a commercial union ranking in competitive potentialities with the United States, United Europe, and Soviet Russia.

THE 1930 TARIFF, AND THE NEXT DECADE IN EXPORT. John Abbink. *Export Advertiser,* November. Much of the money we are spending today in overseas sales promotion is being wasted because it is based on misinformation. We must use some of these funds for obtaining marketing and market data.

WHAT'S NEW IN THE BUS MARKET. *Bus Transportation,* November. The new winter line from all the companies. Illustrated.

GENTLEMEN: THE BRITISH EMPIRE. Lord Eustace Percy. *Atlantic,* December. How the British people themselves regard their empire and its responsibilities.

REPORTS—SURVEYS

CONVENTION DATES OF TRADE ASSOCIATIONS. Chamber of Commerce of the United States, Washington, 67 pp. Issued annually in October for coming year. Valuable, compact list of conventions, with date and location.

COMMODITY MARKETS. Swiss Bank Corporation, London, 38 pp. Series of short sketches describing principal commodity markets in London, and including a discussion of the Liverpool Cotton Exchange and the Manchester Royal Exchange.

REPORT ON THE CONDITIONS AND PROSPECTS OF BRITISH TRADE IN INDIA. Thomas M. Ainscough. British Library of Information, New York, 210 pp., 95 cents. Valuable for the American exporter.

INVESTORS' GLOSSARY. Venture Co., 141 pp. Pocket edition of handy terms and interpretations for the business man who wants to check his financial phraseology.

BUSINESS BRIEFS. Business Briefs, Inc., New York. The newest digest of business articles; published monthly.

BOOKS

TOWARD CIVILIZATION. Edited by Charles A. Beard. Longmans Green, 307 pp., $3. Symposium by a group of scientists and engineers who inquire into the dynamics of their labors with particular reference to the human aspects.

STATISTICS FOR THE BUSINESS MAN. William G. Sutcliffe. Harper, 243 pp., $4. Practical application and interpretation of statistics. For the executive who has decided to do business on the basis of facts.

THE PSYCHOLOGY OF ACHIEVEMENT. Walter B. Pitkin. Simon & Schuster, 502 pp., $3.50. Analysis of success addressed to the 4 or 5 ablest Americans out of every 100 citizens now under 35.

POPULATION PROBLEMS. Warren S. Thompson. McGraw-Hill, 462 pp., $3.75. Make-up of population, rise and fall of birth-rates, future growth of population in the United States. World-wide trends.

DIRECTORY OF DIRECTORS IN THE CITY OF NEW YORK, 1930-1931. Directory of Directors Co., 1235 pp., $20. Names and business addresses of over 43,000 directors of Greater New York businesses, with the names of the companies with which each is associated.

NEW EMPIRES. Karl A. Bickel. Lippincott, 112 pp., $1.50. Concise account of a newspaper man's duties and what it is essential for him to know, and a discussion of the effect the radio is likely to have on both the advertising and news sections of the newspaper.

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BUSINESS APPEARS SLIGHTLY BETTER
Business in Europe Is Still Ailing
Flashes From The Ticker
WALL STREET

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

November 26, 1930

Why Not "Sell Now," Too?

WHAT we said last week on this page about "Buy Now" movements is only one side of the story. Every penny that passes in trade has two faces. Every purchase is a sale; every buyer implies a seller. If it is unfair to leave all the initiative in buying to the man in the street it is also unfair to leave the initiative to buyers generally, whether they are consumers or business concerns.

The seller likewise must do his share, and that share is to search energetically for a buyer and to offer him something that he wants, at a price he is willing to pay for it. Merely to ask the consumer to buy something, without a corresponding effort to offer him something, is a kind of short selling, which is as likely to destroy the market as the other kind.

The importance of this side of the "Buy Now" idea is well borne out in those places where such campaigns have been most successful. These efforts have been successful where they were well-organized, intelligently-directed sales efforts. They have not consisted merely in inviting the man in the street to come into your shop and take off your hands whatever you happened to have. They have started much farther back, with efforts of manufacturers to sell wholesalers, and wholesalers to sell retailers things that the consumer wants at prices that attract him. There has been aggressive, intelligent salesmanship all along the line.

Though in this case we would rather see the retailers doing something else, the apple growers' organizations are making intelligent use of a situation and are really selling apples to the public on a large scale for the first time. In recent weeks, encouraged and supported by the Reserve authorities, many banks have actually "sold" credit to shy buyers of cotton, and in some cases are trying to help themselves and thereby business generally by energetic merchandising of bonds.

We have recorded in these pages week after week examples of business concerns who have realized that even in depression there is a market somewhere for goods of every kind. Though it may be more difficult to find and capture, the energetic have gone out to seek and win it.

This is sound policy because there is unquestionably a large amount of idle potential purchasing power to which no one is making a sufficiently strong appeal. The appeal is not necessarily solely one of price, though price reductions based on lower costs are justifiable to strengthen the appeal in a period of consumer caution. Salesmanship based merely on price is today, as always, a lazy kind of salesmanship and at bottom is doing no service to sound business recovery. Selling which energetically seeks out the buyer's unsatisfied wants and is intelligently related to his means is as sound and as possible in depression as in prosperity.

This will be particularly true during the next few months, when the holiday stimulus to trade and the drastic and prolonged curtailment of production will make an unusually favorable market for those who have something to sell and go out to sell it. Depression to the shrewd is a signal for intensified sales effort. As someone put it:

"When business seems to be going to the dogs, come out of your kennel and bark your wares louder than ever."

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